JULY / AUGUST 2016

ARE YOU FIT TO RETIRE?

Getting your pension in shape to enjoy the kind of lifestyle you want in later life

RETIREMENT FREEDOMS

What are the income options for your pension?

ADVICE WITH YOU IN MIND

One of the most important relationships you may ever have

ALTERNATIVE ASSETS
Investment company growth story of the decade

WHY NOW IS THE TIME TO REVIEW YOUR PENSION
Taking an active interest in your retirement savings

ADVENT OF CROWDFUNDING
Innovation in both finance and technology

Myers Davison Ginger Ltd
Goldsmiths House, 10-14 Cambridge Street, Aylesbury, Buckinghamshire, HP20 1RS
Tel: 01296 392999 **Fax:** 01296 392983 **Email:** advice@mdgifa.com

COULD YOUR MONEY WORK HARDER?

We focus on achieving and maintaining a thorough understanding of your financial needs and aspirations.

We believe passionately that the best service is provided through personal, face-to-face advice. Our range of services is extensive, supported by a distinctive approach to investment management, enabling you to create financial plans that can adapt to your changing needs and circumstances.

CONTACT US TO DISCUSS YOUR REQUIREMENTS.

CONTENTS

03 ADVICE WITH YOU IN MIND
One of the most important relationships you may ever have

06 ARE YOU FIT TO RETIRE?
Getting your pension in shape to enjoy the kind of lifestyle you want in later life

08 ALTERNATIVE ASSETS
Investment company growth story of the decade

10 RETIREMENT FREEDOMS
What are the income options for your pension?

11 LACK OF PREPARATION FOR THE UNEXPECTED
A quarter of us could only afford to pay household bills for a maximum of three months

12 ADVENT OF CROWDFUNDING
Innovation in both finance and technology

13 MANAGING YOUR RETIREMENT SAVINGS
Consolidating your separate pensions into one single pension wrapper

INSIDE THIS ISSUE

Welcome to our latest issue. At the time of publishing this issue, the outcome of the EU Referendum – to decide whether Britain should leave or remain in the European Union – had not been announced so we're unable to offer our commentary in this issue but we'll assess the outcome and the impact on your financial plans in the next issue.

'Will I be able to afford the retirement lifestyle I want?' is a question that many people ask but struggle to figure out. On page 06, we consider the ways to assess your likely income in retirement and how much you need to put away now to enjoy the kind of lifestyle you want in later life. Funding a comfortable retirement will be the biggest financial priority for many people, yet some people spend more time planning their holiday than their own retirement – perhaps because planning for retirement seems too complicated to think about?

If you've accumulated numerous workplace pensions over the years from different employers, it can be difficult to keep track of how they are performing. The process of bringing all your pensions together is called 'consolidation'. It is often referred to as a transfer. If you have more than one pension pot, you might want to consider consolidating all of your pots into one for simplicity. You may also benefit from lower charges by doing this. Read the full article on page 13.

Deciding what to do with your pension savings is an important step we will all have to take. Following changes introduced in April 2015, on page 10 we look at how you now have more choice and flexibility than ever before over how and when you can take money from your pension pot. These changes give you freedom over how you can use your pension pot(s) if you're 55 or over and have a pension based on how much has been paid into your pot (a defined contribution scheme).

The full list of the articles featured in this issue appears opposite. To discuss any of the articles featured in this issue, please contact us.

CONTENTS

14 RETURN OF MULTI-GENERATIONAL HOUSEHOLDS
Two in three agree living with family is beneficial

16 SECURING MORE OF YOUR WEALTH
You don't have to be wealthy for your estate to be liable for Inheritance Tax

18 SPLASHING THE CASH
New 'YOLO' generation gambling with their financial future

20 APPETITE FOR RISK
Striking the right balance is important to avoid losses

22 THE RUN-UP TO RETIREMENT
What the over 50s do with their money once the mortgage is paid off

23 PENSION CONFUSION
Are most people unprepared for retirement?

24 ARE MILLENNIAL INVESTORS FACING A PERFECT STORM?
Looking at the mismatches between expectation and reality

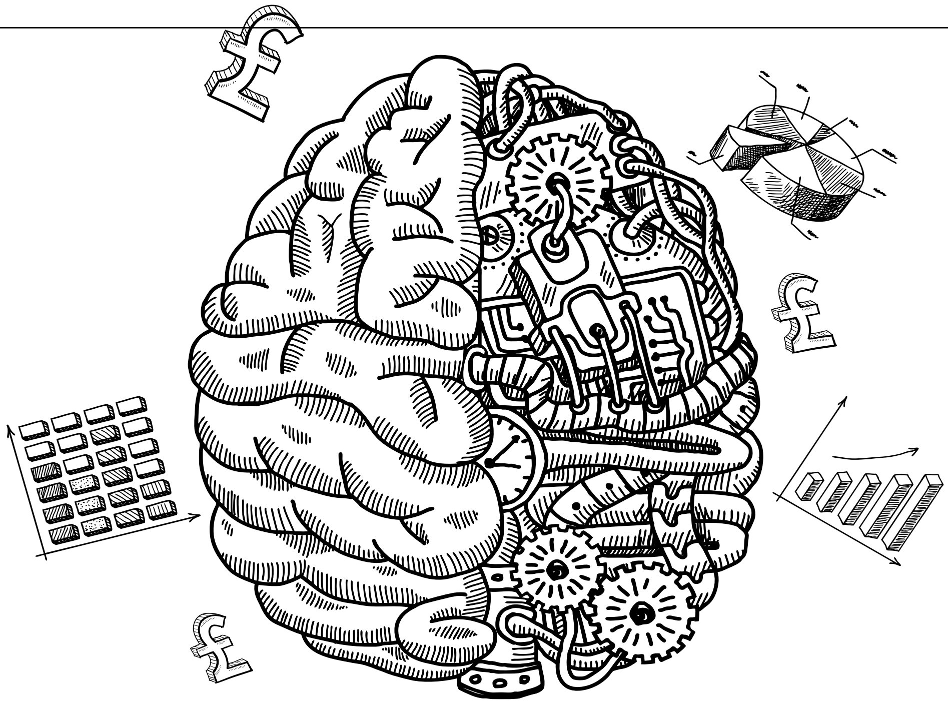
26 BRITONS' ATTITUDE TO MONEY
An in-depth look at Britain's changing attitude to savings and investments

28 WHY NOW IS THE TIME TO REVIEW YOUR PENSION
Taking an active interest in your retirement savings

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.



ADVICE WITH YOU IN MIND

One of the most important relationships you may ever have

FEW PEOPLE REALLY HAVE THE TIME TO UNDERSTAND THE SIGNIFICANT NUMBER OF FINANCIAL PRODUCTS ON THE MARKET AT ANY TIME. IF YOU'RE LOOKING TO INVEST, BUY A PROTECTION PRODUCT OR PLAN FOR THE LONGER TERM, EXPERT PROFESSIONAL FINANCIAL ADVICE IS ESSENTIAL TO HELP ENABLE YOU TO CREATE A FINANCIAL PLAN THAT IS REALISTIC.

One of the most important relationships you may ever have is the one with your professional financial adviser. The advice process allows you to assess your financial goals, investment time frame and tolerance for risk, and to monitor these over time. In addition, you can obtain guidance in times of market downturns and personal financial stress, ensuring that your strategy is tailored for your changing needs and circumstances.

INVESTMENT CHOICES

With a vast array of products and information available, the thought of wading through them and choosing an investment can be quite daunting. In addition, considering the busy lives we lead, it can be difficult to find the time to keep fully up to speed with everything that's going on. We help you to make an informed decision based on your investment objectives, understand which products are available and select the best options to suit your investment needs.

RISK AND RETURN

Investing is as much about managing the potential downside as it is about looking for potential gains. Typically, investments with the potential for a higher return also carry a higher risk due to the more volatile sectors and regions that are targeted. We explain the risk and return trade-off and gauge your attitude towards risk for return. From this, we can ensure that your portfolio has the right balance of risk by diversifying across regions, providers and products as appropriate.

EXTRACTING INFORMATION

Understanding the jargon used within the financial industry and extracting the important information can be difficult and time-consuming. We help you to translate current events and bring out hidden facts in seemingly endless product literature. So whether you want to understand the implications of interest rate increases or a change in pension freedoms legislation, we'll discuss how each issue could directly affect you.

CONTINUAL REVIEWS

As time passes, both markets and your lifestyle can change dramatically. This consequently means that it is important to keep your investments under continual review so that you can get the most out of them. Anything in your life, such as your age or personal situation, could potentially affect the requirements you have for your investments. We'll assist in reviewing and, if necessary, adjusting your portfolio to help it meet your evolving needs.

UNFORESEEN EVENTS

With markets constantly on the move and unforeseen events sometimes having significant impacts, the need for ongoing adjustments to your investments can be extremely important, and staying on top of this can be a full-time job which very few of us have time for. Taking this important responsibility off your hands and putting it with us can help you to feel more confident that your investments are in the most suitable place for your individual requirements.

ARE YOU BUILDING THE FUTURE YOU'VE DREAMED OF?

Whether your plan is to retire comfortably, put your children through university or protect your loved ones, we can help you to build the future you've dreamed of for you and your family. If you would like to discuss any areas of your financial well-being, please contact us.

ARE YOU FIT TO RETIRE?

Getting your pension in shape to enjoy the kind of lifestyle you want in later life

'WILL I BE ABLE TO AFFORD THE RETIREMENT LIFESTYLE I WANT?' IS A QUESTION THAT MANY PEOPLE ASK BUT STRUGGLE TO FIGURE OUT. THERE ARE MANY WAYS TO ASSESS YOUR LIKELY INCOME IN RETIREMENT AND WORK OUT HOW MUCH YOU NEED TO PUT AWAY NOW TO ENJOY THE KIND OF LIFESTYLE YOU WANT IN LATER LIFE.

EVERYBODY'S CIRCUMSTANCES ARE DIFFERENT, BUT THE KEY CONSIDERATION FOR MOST PEOPLE WHEN THEY THINK ABOUT RETIRING WILL COME DOWN TO FACTORS SUCH AS WHETHER THEY'RE RENTING, PAYING A MORTGAGE, HAVE ANY DEBT, PLAN TO KEEP WORKING, AND HOW MUCH MONEY THEY HAVE SAVED IN PENSIONS AND OTHER INVESTMENTS.

Funding a comfortable retirement will be the biggest financial priority for many people, yet some people spend more time planning their holiday than their own retirement – perhaps because planning for retirement seems too complicated to think about?

We know that we want an active, comfortable retirement but often don't know where to start the savings and investment process. The starting point is to obtain professional financial advice and set a plan in motion that is reviewed at least annually to enable you to build the future retirement you want.

KEY CONSIDERATIONS FOR MOST PEOPLE

Everybody's circumstances are different, but the key considerations for most people when they think about retiring will come down to factors such as whether they're renting, paying a mortgage, have any debt, plan to keep working, and how much money they have saved in pensions and other investments.

It's also important to bear in mind that your life changes when you retire – and so does the way you spend your money. The increases in the cost of living with inflation are another important consideration. While the State Pension increases with inflation (with the 'triple lock', increases can exceed inflation), income from your pension might not, depending on how you decide to take your money.

START SAVING FOR YOUR PENSION EARLY

If you start saving for your pension early in your working life, it may be difficult to predict what your needs will be when you retire. Ideally, you should aim to put away as much as you can afford, but don't worry if it's not as much as you'd like to start with. It can be better to save small amounts that have a long time to grow in value. As your income improves, you may be able to increase how much you put away for your pension.

If you've started to save later in your working life, you may have a better idea of what your circumstances are likely to be, which can make it easier to work out what level of income you'll need for your retirement. However, you'll have less time to save it up, and the amount of money you'll need to save may be higher.

ACHIEVING FINANCIAL FREEDOM

Saving for retirement is essential if you want the financial freedom to enjoy your later years. Things to consider include:

- Deciding how much money you want each year in retirement
- Calculating how big your pension pot needs to be to give you that income
- Working out how much you should be saving today in order to build that kind of pension pot value

Remember: you're perhaps unlikely to have a mortgage and other big expenses at this stage in your life, so you may need a lot less than you do when you're working. The ratio tends to go up for those on lower salaries, as you'd expect.

KNOW YOUR NUMBER

Next, you want to work out how big your pension pot needs to be in order to achieve the retirement income you want. One rule of thumb is to take the annual retirement income you'd like – let's say it's around £50,000 – and then multiply that by 20. So in this example, to achieve a retirement income of £50,000, you'd need to build up a pension pot worth in the region of £1,000,000.

YOUR ANNUAL ALLOWANCE

You can receive income tax relief on your own contributions to pension plans. You can contribute up to the greater of £3,600 and 100% of your salary.

The standard annual allowance is currently set at £40,000 for the current 2016/17 tax year (higher earners or those who have flexibly accessed their pensions may have a lower figure). If the contributions paid on your behalf (including any employer and personal contributions) exceeds the standard annual allowance, then you may have to pay a tax charge based on the highest rate of Income Tax that you pay. ◂

NEED TO BOOST YOUR FUTURE RETIREMENT INCOME?

There are a number of things you can do to boost your future retirement income, wherever you currently are in the planning process. Everyone's retirement needs are different, and planning for your retirement is just like any other kind of budgeting you have to do: it requires calculating some numbers, implementing a plan and continually reviewing it until you reach your goal. To review your current situation or to obtain further information, please contact us – we look forward to hearing from you.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. 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.

ALTERNATIVE

ASSETS

Investment company growth story of the decade

OVER A THIRD OF THE INVESTMENT TRUST COMPANY SECTOR IS INVESTED IN ALTERNATIVE ASSETS SUGGESTS RESEARCH FROM THE ASSOCIATION OF INVESTMENT COMPANIES (AIC). THE TERM 'ALTERNATIVE' IS USED TO COVER MANY OTHER TYPES OF INVESTMENTS THAT ARE NOT TRADED ON STOCK MARKETS. THESE MIGHT INCLUDE THE SHARES IN PRIVATE COMPANIES, PHYSICAL PROPERTY OR INFRASTRUCTURE PROJECTS. DUE TO THE NATURE OF MANY OF THESE 'ALTERNATIVE' INVESTMENTS, THEY WILL ONLY BE SUITABLE FOR A VERY LIMITED NUMBER OF INVESTORS. PROFESSIONAL ADVICE SHOULD BE TAKEN BY ANY INVESTORS CONSIDERING SUCH 'ALTERNATIVES'.

FUNDS OF THEIR DAY

The investment company sector has always been innovative – the first collective investment vehicles in the late 1800s were, after all, closed-ended funds. Many of the early launches were investing in the American railway boom; they were, perhaps, the original infrastructure funds – the alternative assets funds of their day.

According to the AIC, over a third (39%) of the investment company sector by assets now invests solely in alternative assets, and over 80% of this is in investment companies that have been launched over the last decade. Alternative assets are a broad church, and there's a diverse choice for investors – not least from an income perspective.

TAKE A LONG-TERM VIEW

The investment trust structure can be an appropriate way of accessing alternative assets because managers can take a long-term view without having to worry about inflows and outflows, but there's a lot to consider.

Much of the growth story in the alternative assets sector over the last decade has been fuelled by investor appetite for yield. There are many types of alternative asset classes including property, private equity, hedge funds and specialist debt.

TYPES OF ALTERNATIVE ASSETS

There are many types of alternative asset classes. Here are just some of the most popular:

PROPERTY

There are a wide range of investment trust companies investing in property. Some specialise in investing in commercial property, others in residential. Some specialise in particular types of property

THE RISKS

As with all investment trust companies, investment companies investing in alternative assets come with risks to your income and capital. You should make sure you are happy with the amount of risk you are taking on before you invest.

Valuations – Unlike listed shares and securities, many alternative assets do not have a precise market value. Though the methodologies used to value them are robust and well-established, they can only be an approximation. Where assets are illiquid, they may only be valued on a quarterly basis.

Gearing – Investment companies investing in alternative asset classes will often use gearing. This can help to boost your immediate income and long-term capital growth but will also increase any losses that you might make.

Discounts/premiums – In recent times, due to the fall in interest rates, many income-orientated investment companies are standing 'at a premium'. This means that you are paying more for the shares than the value of the underlying assets. This may be a price you are prepared to pay for an attractive level of income, but you should bear in mind that, over time (for example, if interest rates rise), these premiums may fall and could move to a discount. This means that the share price performance will be worse than that of the portfolio and could increase any losses you make.

THE INVESTMENT COMPANY STRUCTURE IS AN APPROPRIATE WAY OF ACCESSING ALTERNATIVE ASSETS BECAUSE MANAGERS CAN TAKE A LONG-TERM VIEW WITHOUT HAVING TO WORRY ABOUT INFLOWS AND OUTFLOWS, BUT THERE'S ALSO A LOT TO CONSIDER.

SPECIALIST DEBT

Investment trust companies can also invest in a wide range of specialist forms of debt, such as asset-backed securities, distressed and sub-investment grade debt, and peer-to-peer loans. These types of instruments tend to provide a high level of income but can also be more risky than other forms of debt.

Many alternative asset classes are quite specialist and illiquid, or require sizeable minimum investments, making them difficult for ordinary investors to invest in directly.

Investment companies enable smaller investors to access these asset classes more easily, as you can buy shares in the investment company on the stock market like any other listed company.

As with all investment companies, investment companies investing in alternative assets come with risks to your income and capital. You should make sure you are happy with the amount of risk you are taking on before you invest.

(such as clinics providing for healthcare). Some invest primarily in the UK, others in Europe or even further afield. Property investment companies might own the property directly or, alternatively, invest in the shares of property companies.

PRIVATE EQUITY

Private equity means investing in the shares of private companies as opposed to companies whose shares are traded on stock markets. Private equity often involves investing in companies with the aim of helping them grow and eventually selling them for a profit. These companies can be riskier in the short term but can deliver strong returns over the long term.

HEDGE FUNDS

A hedge fund is a fund that employs a wide range of sophisticated investment techniques, including derivatives, often with the aim of producing positive returns in all markets. In a 'feeder-fund', the investment company invests in a single hedge fund run by the same manager. In a 'fund of funds', the investment company invests in a range of different hedge funds run by different managers.

INFRASTRUCTURE

Infrastructure investment companies invest in contracts to develop and run long-term capital expenditure projects in public sectors such as transport, healthcare and schools. These contracts are for the long term (20–50 years) and aim to deliver a stable income over the period of the contract, often linked to inflation.

WHY CONSIDER INVESTMENT COMPANIES FOR ALTERNATIVE ASSETS?

Whether you are looking to diversify your existing portfolio, boost your income or maximise long-term capital growth, investment companies can provide one way to access alternative asset classes as part of a long-term balanced portfolio. To find out more, please contact us.

RETIREMENT FREEDOMS

What are the income options for your pension?

DECIDING WHAT TO DO WITH YOUR PENSION SAVINGS IS AN IMPORTANT STEP WE WILL ALL HAVE TO TAKE. FOLLOWING CHANGES INTRODUCED IN APRIL 2015, YOU NOW HAVE MORE CHOICE AND FLEXIBILITY THAN EVER BEFORE OVER HOW AND WHEN YOU CAN TAKE MONEY FROM YOUR PENSION POT. THESE CHANGES GIVE YOU FREEDOM OVER HOW YOU CAN USE YOUR PENSION POT(S) IF YOU'RE 55 OR OVER AND HAVE A PENSION BASED ON HOW MUCH HAS BEEN PAID INTO YOUR POT (A DEFINED CONTRIBUTION SCHEME).

WHEN AND HOW YOU USE YOUR PENSION

Whether you plan to retire fully, reduce your hours gradually or to carry on working for longer, you can now tailor when and how you use your pension – and when you stop saving into it – to fit with your particular retirement plans.

Currently, the minimum age you can take any workplace or personal pension is age 55. You need to check with your scheme provider or insurance company to make sure the scheme will allow this. This is proposed to increase to age 57 by 2028.

From 2028 onwards, the proposal will be for the minimum pension age to increase in line with the State Pension age. This means there will be a ten-year gap between when you can take your own pensions and any State Pension you are eligible for.

There's a lot to consider when working out which option or combination will provide you and any beneficiaries with a reliable and tax-efficient income throughout your retirement.

LEAVE YOUR PENSION POT UNTOUCHED

Once you reach age 55 (subject to your scheme rules), you have the option to take as much of your pension fund as cash as you wish. Though don't forget that if you take more than 25% of the fund, there could be a substantial tax bill.

You may be able to delay taking your pension until a later date and may wish to leave your money where it is so that it still has the potential to grow – though your fund could also go down in value, of course. Equally, you might just want some time to consider all your options before deciding whether to take cash from your pension fund – and, if so, how much.

USE YOUR POT TO BUY A GUARANTEED INCOME FOR LIFE – AN ANNUITY

You can choose to take up to a quarter (25%) of your pot as a one-off, tax-free lump sum, then convert the rest into a taxable income for life called an 'annuity'. There are different lifetime annuity options and features to choose from that affect how much income you would get. You can also choose to provide an income for life for a beneficiary after you die.

USE YOUR POT TO PROVIDE A FLEXIBLE RETIREMENT INCOME – FLEXI-ACCESS DRAWDOWN

With this option, you take up to 25% (a quarter) of the pension pot that is being crystallised as a tax-free lump sum, then re-invest the rest into funds designed to provide you with a taxable income. You set the income you want, though this may be adjusted periodically depending on the performance of your investments (funds can be left alone to accrue if there is no immediate need for income). Unlike with a lifetime annuity, your income isn't guaranteed for life – so you need to manage your investments carefully.

Previously, there were government limits (known as 'Government Actuary's Department' or GAD limits) on how much income you could withdraw each year. This still applies to existing capped drawdown contracts where taxable income was being taken before 5 April 2015, providing the GAD limit is respected. These restrictions have been removed from 6 April 2015 for new flexi-access drawdown contracts.

TAKE SMALL CASH SUMS FROM YOUR POT

If you're not sure how your income needs will change in the future, you may wish to take money from your defined contribution pension pots as and when you need it and leave the rest untouched. For each cash withdrawal, the first 25% (quarter) is tax-free, and the rest counts as taxable income. There may be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year.

TAKE YOUR WHOLE POT AS CASH

You could close your pension pot and take the whole amount as cash in one go if you wish. Anyone over 55 can take their entire pension fund as cash. The first 25% (quarter) will be tax-free, and the rest will be taxed at your highest tax rate – by adding it to the rest of your income.

If you cash in your entire pot, it's highly likely that you'll have to pay a considerable tax bill. If the provider applies an emergency tax code, too much tax will be deducted, in which case you would have to reclaim this from HMRC. In addition, it will not pay you or any beneficiary a regular income, so without very careful planning you could run out of money and have nothing to live on in retirement.

You don't have to choose one option when deciding how to access your pension – you can combine options and take cash and income at different times to suit your needs. You can also keep saving into a pension if you wish and receive tax relief up to age 75.

Which option or combination is right for you will depend on a number of different factors. ◂

HELPING YOU FIND YOUR WAY FORWARD

Wherever you stand on the road to retirement, we can help you find your way forward. If you are approaching retirement and would like to discuss the ways you can take an income from your pension pot, please contact us to review your particular situation – we look forward to hearing from you.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. 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.

LACK OF PREPARATION FOR THE UNEXPECTED

A quarter of us could only afford to pay household bills for a maximum of three months

PROTECTING YOUR FAMILY SHOULD UNDERPIN FINANCIAL PLANNING, AND IT CAN ALSO BE A KEY BUSINESS TOOL OR ESTATE PLANNING MECHANISM. BUT, DESPITE THIS, MORE THAN ONE IN FIVE (21%) PEOPLE ADMIT THEIR HOUSEHOLD WOULD NOT BE FINANCIALLY SECURE FOR ANY LENGTH OF TIME IF IT LOST ITS MAIN INCOME THROUGH UNEXPECTED CIRCUMSTANCES.

COPING WITH MORTGAGE PAYMENTS

The latest protection research from Scottish Widows reveals a quarter (25%) of us could only afford to pay household bills for a maximum of three months if we or our partner were unable to work due to long-term illness, and just over a quarter (26%) could only make a maximum of three monthly mortgage payments. Just less than a fifth (18%) admit they aren't sure how long they would be able to cope with their mortgage payments.

Despite acknowledging the hardships they may face, many people are failing to take action to ensure they have a financial safety net in place. In fact, for many of us, taking out life or critical illness cover falls lower down the priority list than having access to an Internet connection.

PROVIDING FINANCIAL SECURITY FOR DEPENDANTS

Eight in ten (81%) Britons consider an Internet connection as essential, and almost three quarters (72%) see a mobile phone as a necessity. By comparison, only 29% think it's essential to provide financial security for dependants if they become critically ill, and only 40% think it's essential to provide security for dependants if they die.

Despite being acutely aware of their lack of financial provisions, 12% of people would cut back spending on life insurance if they had to make cuts to their outgoings, while one in seven (13%) would reduce spending on critical illness cover. In comparison, only 9% of people would cut back on Internet access.

FACING A SIGNIFICANT FINANCIAL STRUGGLE

While none of us ever want to think about the worst, the research shows that there are an alarming number of families who could face a significant financial struggle in the event of an unexpected loss of income due to serious illness or death.

No matter what our personal circumstances, it is vital for all of us to ensure we have the appropriate provisions in place to protect our finances, helping avoid the need to dip into our savings which could present even greater challenges further down the line. ◂

ARE YOU AND YOUR FAMILY FULLY PROTECTED?

Creating and maintaining the right approach to protecting you and your family plays a vital role in securing your financial futures. If you have any concerns or would like further information about your protection options, or a quote, please contact us.

Source data:

Scottish Widows Protection Research is based on a survey carried out online by YouGov who interviewed a total of 5,161 adults between 28 January and 4 February 2016.

ADVENT OF CROWDFUNDING

Innovation in both finance and technology

ONE OF THE MAIN INNOVATIONS IN BOTH FINANCE AND TECHNOLOGY OVER THE PAST FEW YEARS HAS BEEN THE ADVENT OF CROWDFUNDING. CROWDFUNDING IS A WAY OF RAISING FINANCE BY ASKING A LARGE NUMBER OF INVESTORS EACH FOR A SMALL AMOUNT OF MONEY.

In the past, financing a business, project or venture typically involved asking a few investors for large sums of money. Crowdfunding switches this idea around.

If it appeals to you, you're debt-free, willing to increase your risk tolerance and put money away for a longer term, then the best way is to start by dipping your toe in the water.

MAIN WAYS OF CROWDFUNDING

There are three different types of crowdfunding: equity, debt and donation.

1. Equity crowdfunding involves a company raising finance by selling a pre-determined amount of equity in a business to investors for a certain sum of money.
2. Debt crowdfunding is when a company raises money by way of loan to investors who do not receive any equity in the business but do receive a pre-agreed rate of return on the money invested.
3. Charitable crowdfunding involves no equity or debt investment; charities raise money for projects from large groups of investors to support their causes.

FUNDING GAP

These investments do not include the same security of capital which is afforded with a bank account. Since the financial crisis, it has become very difficult for smaller businesses in particular to raise the money required to expand and grow. As high street banks have withdrawn from corporate lending, a 'funding gap' has emerged that has in part been filled by the meteoric rise of crowdfunding. Additionally, with interest rates at rock bottom for the past six years, investors have been seeking unique returns and are more prepared than ever before to invest money into new types of investments in the hope of achieving a return higher than that offered by their bank account.

HIGH RISK

However, crowdfunding is still a very high-risk venture and, as with all forms of investment, comes with no guarantee of success or even return of capital. Among the main reasons to exercise caution is the price the investor pays for the equity. When a large business seeks to raise money, the numbers used to calculate the value of the business will have been audited and verified by an independent valuer.

HIGH GROWTH

Another key risk that investors need to consider is one of dilution. Many of the companies raising money on the equity crowdfunding platforms are high-growth businesses expected to go up in value significantly over a very short period of time. To fund this expansion, it is somewhat inevitable that these companies will need to continually raise further funds to maintain their level of growth.

CAPITAL LOSS

Crowdfunding is undoubtedly a welcome addition to the options available for companies looking to raise money, and the effect that this has on the level of enterprise in the UK is a very positive development.

For investors, however, it is clear that great levels of caution should be taken when making any form of crowdfunding investment, and a reliance on the tax benefits will not be enough to offset the real risk of capital loss. ◂

MANAGING YOUR RETIREMENT SAVINGS

Consolidating your separate pensions into one single pension wrapper

IF YOU'VE ACCUMULATED NUMEROUS WORKPLACE PENSIONS OVER THE YEARS FROM DIFFERENT EMPLOYERS, IT CAN BE DIFFICULT TO KEEP TRACK OF HOW THEY ARE PERFORMING. THE PROCESS OF BRINGING ALL YOUR PENSIONS TOGETHER IS CALLED 'CONSOLIDATION'.

It is often referred to as a transfer. If you have more than one pension pot, you might want to consider consolidating all of your pots into one for simplicity. You may also benefit from lower charges by doing this.

If appropriate to your particular situation, it may be good not to have 'all your eggs in the one basket'. There are times when diversification is an important consideration.

It is important to remember that you might not benefit from transferring your pensions all into one place.

WHY WOULD I WANT TO CONSIDER CONSOLIDATING MY PENSIONS?

- You'll only have to deal with one provider which could make life simpler
- If you decide to buy an annuity when you want to take benefits, you'll only receive one payment each month (if you choose to have your income paid monthly). This can feel more familiar as it will probably mirror how your salary was paid
- If you're likely to buy an annuity, you could receive a better annuity rate as your account will be bigger, and some companies offer better rates depending on the size of your pension account

This is not an exhaustive list of the issues you should bear in mind. If you are interested in consolidating your pension accounts, you should obtain professional financial advice.

WHAT ISSUES SHOULD I CONSIDER BEFORE DECIDING TO CONSOLIDATE?

- Make sure there are no penalties if you transfer your account from one provider to another
- Some companies offer 'Guaranteed Annuity Rates', and these can provide a much higher income than today's annuity rates might offer. Any 'Guaranteed Annuity Rate' could be lost if you consolidate your pensions – you should check with your pension provider
- If you're in a final salary or defined benefit scheme, you don't need to buy an annuity because final salary pensions aim to provide a known and guaranteed level of cover. If you are in one of these schemes, stop to think about what you may be moving away from. From April 2015, transfers can now only be made from funded final salary schemes so it is not possible to transfer out from an unfunded public sector scheme

IT COULD STILL MAKE SENSE TO CONSOLIDATE

As you approach your retirement, your pension pots may have appreciated significantly, and you may decide that any exit penalties or fees for advice represent significant disincentives to act. However, if you're unhappy with your existing arrangements and your funds are letting you down, it could still make sense to consolidate.

You may still have ten or fifteen years to go, and consolidation now gives you the added benefit of having all your money in one place for the purpose of buying an annuity or putting your money into income drawdown.

There are advantages to consolidating your pensions, but there are also pitfalls. The most suitable course of action may depend on what kinds of pension you have and how long you have until retirement. ◂

CONSIDERING CONSOLIDATING YOUR PENSIONS?

If you're considering consolidating your pensions, it's important to weigh up the benefits and drawbacks. Pensions and tax rules are complex, and normally it is not possible to recover your original pension arrangements if you change your mind. To discuss your situation and ensure that you don't lose any valuable benefits, please contact us.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. 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.

RETURN OF MULTI-GENERATIONAL HOUSEHOLDS

Two in three agree living with family is beneficial

MULTIGENERATIONAL HOUSEHOLDS COULD BE SET TO GROW IN POPULARITY AS PROPERTY COSTS CONTINUE TO RISE. A NEW REPORT FROM AVIVA SUGGESTS THAT BASED ON THE RATE OF GROWTH SEEN IN THE PAST 10 YEARS – AND ASSUMING HOUSE PRICES WILL CONTINUE TO RISE – THERE COULD BE 2.2 MILLION PEOPLE LIVING IN MULTI-FAMILY HOUSEHOLDS AND 3.8 MILLION 21–34-YEAR OLDS LIVING WITH THEIR PARENTS BY 2025.

However, rather than being a negative trend, two in three (66%) people currently in this living situation say the benefits far outweigh the disadvantages according to the inaugural 'Home' report which focuses on the changing face of UK households.

HOUSE PRICES AND MULTI-LIVING INCREASE TOGETHER

Average UK house prices rose 52% between 2005 and 2015, up from £184,000 to £279,000[1].

At the same time, the number of adult 'children' living with parents has also grown considerably. In 2015, there were an estimated 2.8 million adults aged 21–34 living with their parents – the equivalent of 23% of people in this age group[2]. This is an increase of 32%, or more than half a million (684,000) people since 2005.

In addition, ONS data on multi-family households** also shows a 46% increase in the number of people living in this type of household between 2005 and 2015, up from 1.1 million to 1.5 million[3].

Affordability of housing appears to play a huge role in people's decision to stay living with family or moving back in with them. When asked about situations when they might consider this living arrangement for six months or more, saving for a house deposit (57%) was the second most common reason given, beaten only by caring for an unwell relative (71%).

MULTIGENERATIONAL LIVING PROVIDES CONSTANT COMPANY AND CHEAPER LIVING COSTS

While two in five (42%) of all UK adults believe living as part of a multigenerational household would be a positive arrangement, this rises to 66% of those already living in this type of household, suggesting there is a gap between people's perceptions of multigenerational living and the reality.

Those living in a multigenerational household say the main benefits are: other people being around for company (72%), cheaper shared living costs (62%) and more people to share chores (56%). Only 12% of those already in a multigenerational household say the disadvantages outweigh the benefits, compared to 21% of all UK adults.

Multigenerational living is often seen as a necessity rather than a choice, particularly when adults are forced to move back in with family to help save for long-term goals like buying their own house. But rather than being an inconvenience, our report shows it is often a positive experience, with shared living costs reducing financial strain and the added benefit of constant company.

If house prices continue to rise at their current rate, we can expect the number of multigenerational houses to continue to grow. What we need from our properties – and how we go about protecting them – will also adapt as the UK's way of living evolves. ◄

Source data:

Methodology: Based on a nationally representative survey of 2,000 UK adults aged 16 and over, carried out by Censuswide in April 2016.

** With two or more generations living under the same roof.*

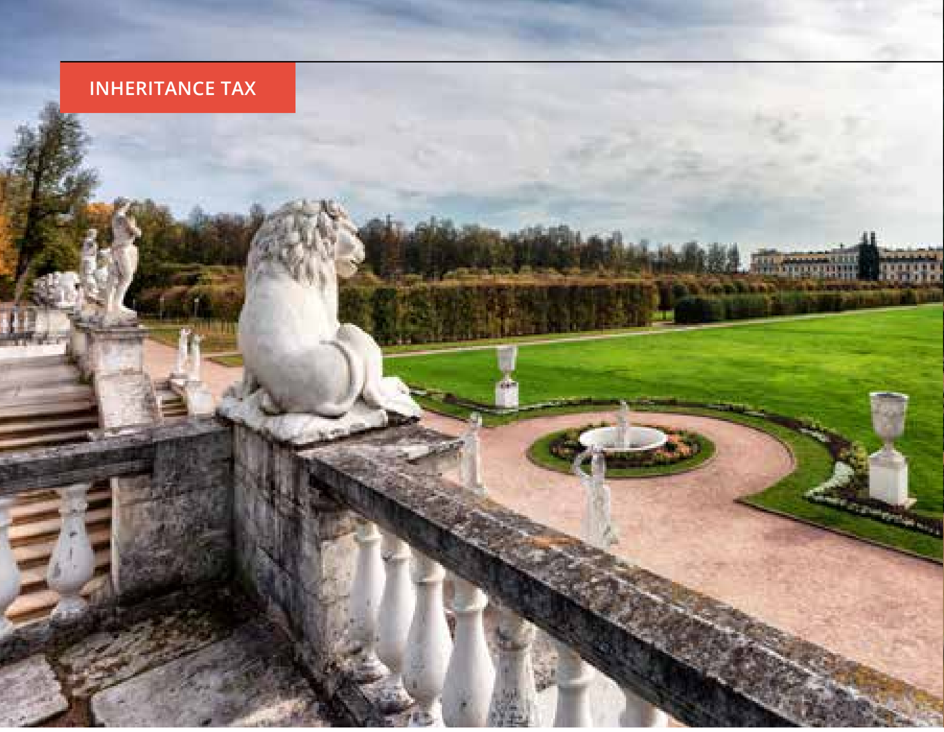
*** Classed as a household containing two or more families, for example a married couple living with their elderly parents.*

[1] ONS House Price Index, Annual Tables (mix-adjusted prices)

[2] ONS Young Adults Living with their Parents data (November 2015) 2005 = 2,161,000, 2015 = 2,845,000

[3] ONS Families and Households data (November 2015). 2005 = 1,050,000, 2015 = 1,537,000

YOU'VE PROTECTED YOUR MOST VALUABLE ASSETS.
But how financially secure are your dependants?
Timely decisions on how jointly owned assets are held, the mitigation of Inheritance Tax, the preparation of a will and the creation of trusts can all help ensure your dependants are financially secure.
CONTACT US TO DISCUSS HOW TO SAFEGUARD YOUR DEPENDANTS, WEALTH AND ASSETS – DON'T LEAVE IT UNTIL IT'S TOO LATE.



SECURING MORE OF YOUR WEALTH

You don't have to be wealthy for your estate to be liable for Inheritance Tax

PROTECTING YOUR ESTATE IS ULTIMATELY ABOUT SECURING MORE OF YOUR WEALTH FOR YOUR LOVED ONES AND PLANNING FOR WHAT WILL HAPPEN AFTER YOUR DEATH TO MAKE THE LIVES OF YOUR LOVED ONES MUCH EASIER.

PEACE OF MIND

Making sure that you've made plans for after you're gone will give you peace of mind. It's not nice to think about but it means that your loved ones can carry out your wishes and be protected from Inheritance Tax (IHT).

You don't have to be wealthy for your estate to be liable for IHT and it isn't something that is paid only on death, it may also have to be paid on gifts made during someone's lifetime. Your estate will be liable if it is valued over the current IHT threshold on your death. The IHT threshold, or Nil Rate Band (NRB), is fixed until 2020/21 at £325,000.

Your estate includes any gifts you may have made within seven years of your death. Anything under the IHT threshold is not taxed (the 'Nil Rate Band') and everything above it is taxed, currently at 40%. Where a person dies and leaves at least 10% of their net estate to a qualifying charity a reduced rate of 36% IHT can be payable.

Any unused proportion of the NRB belonging to the first spouse or registered civil partner to die can be passed to the surviving spouse or registered civil partner.

ADDITIONAL NIL RATE BAND

From 6 April 2017 the Government will be introducing an Additional Nil Rate Band (ANRB). This will start at £100,000 and increase by £25,000 each tax year until it reaches £175,000 in 2020/21, when it will increase each tax year by the Consumer Price Index (CPI).

The ANRB will be available where you pass your house to your children, grandchildren or great grandchildren. It will also be available if you downsize or cease to own a home as long as the replacement is passed to your children, grandchildren or great grandchildren. It will start to reduce if your net estate is more than £2 million and will reduce by £1 for ever £2 it is over. As with the NRB, the ANRB is transferable between spouses and registered civil partnerships if unused on first death.

EXEMPTIONS

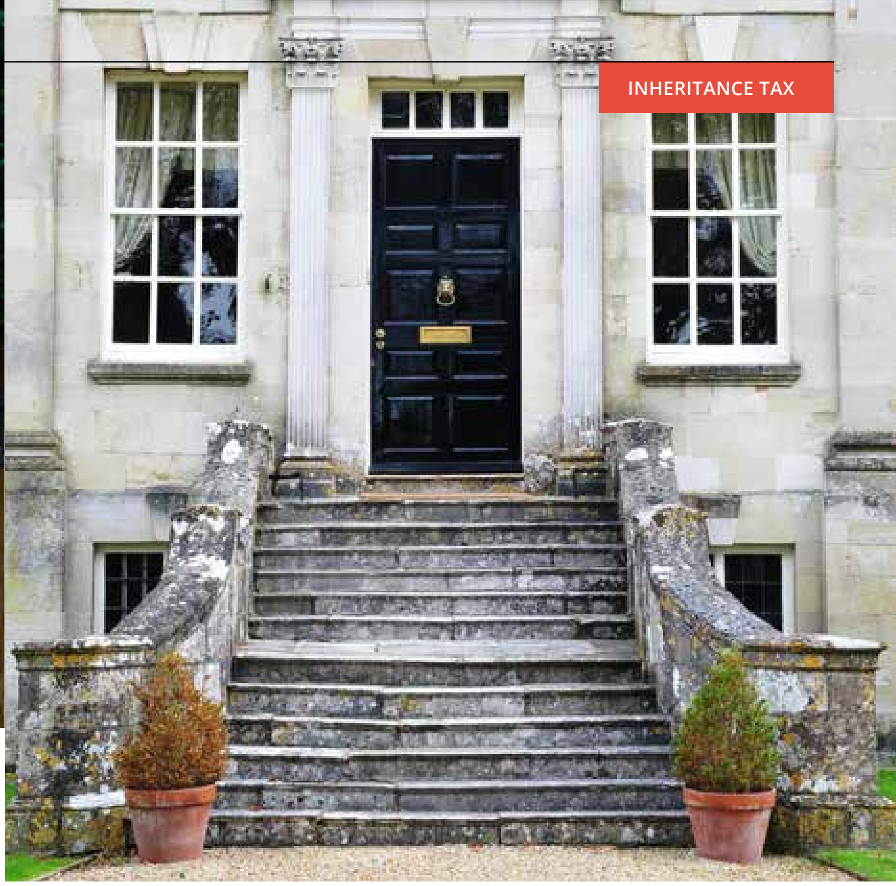
Moving ownership of assets to your spouse or registered civil partner may help reduce the IHT liability on your estate. However, don't forget that this can cause an increased IHT liability when they die. There are also exemptions if you make a donation to a charity.

MAKING GIFTS

If you can afford to make gifts during your lifetime this will also reduce the value of your estate, and so your ultimate IHT liability. You can make a gift of up to £3,000 a year without any IHT liability, and if you don't use this whole allowance it can be carried forward to the next tax year. You can also give gifts of up to £250 a year to any number of people with no IHT liability.

There are two types of gift which currently have tax implications. The first is Chargeable Lifetime Transfers (CLTs). The most common chargeable transfers are lifetime gifts into Discretionary Trusts. A transfer will be charged if (together with any chargeable transfers made in the previous seven years) it exceeds the IHT NRB (currently £325,000). Tax is paid at 20% on excess over the NRB.

The other type of gift to be aware of is Potentially Exempt Transfers (PETs). Gifts between individuals or into a bare trust arrangement are examples of PETs. These gifts are free from IHT provided you survive more than seven years beyond the date of the gift. The other area to be aware of is that if you are making a gift but try to reserve any of the benefit for yourself, e.g. retaining dividend income from shares you have gifted, or living rent-free in a property you have.



> BY MAKING A WILL YOU ARE DETAILING WHAT YOU WANT TO HAPPEN TO YOUR ASSETS AFTER YOU DIE. A WILL ALSO NOMINATES SOMEONE TO BE IN CHARGE OF CARRYING OUT YOUR WISHES.

DISCRETIONARY TRUSTS

A discretionary trust offers flexibility when it comes to deciding who you would like to be the beneficiaries. The appointer can appoint benefits to the beneficiaries of the discretionary trust. With a discretionary trust there are possible tax liabilities to be aware of. On creation of the trust, IHT might be payable. IHT may also become payable if you die within seven years of the creation of the trust. Depending on the value of assets in the trust there could be further charges to consider during the lifetime of the trust.

BARE TRUSTS

A bare trust ensures that, once named, the beneficiaries cannot be changed or added to in the future. Once a beneficiary has reached the age of 18 they can ask for the trust to pay their share to them directly. The major advantage of bare trusts over discretionary trusts is that they are classed as potentially exempt transfers (PETs) with no immediate or ongoing IHT charges, provided the creator of the trust survives more than seven years from the date of the transfer.

LIFE INSURANCE POLICY

Taking out a life insurance policy written under an appropriate trust could be used towards paying any IHT liability. Under normal circumstances, the payout from a life insurance policy will form part of your legal estate, and may therefore be subject to IHT. By writing a life-insurance policy in an appropriate trust, the proceeds from the policy can be paid directly to the beneficiaries rather than to your legal estate, and will therefore not be taken into account when IHT is calculated. It also means payment to your beneficiaries will probably be quicker, as the money will not go through probate.

SETTING UP A TRUST

The structures into which you can transfer your assets can have lasting consequences for you and your family and it is crucial that you choose the right ones. The right structures can protect assets and give your family lasting benefits. A trust can be used to reduce how much IHT your estate will have to pay on your death.

A trust, in principle, is a very simple concept. It is a legal arrangement where the ownership of someone's assets (such as property, shares or cash) is transferred to someone else (usually a small group of people or a trust company) to manage and use to benefit a third person (or group of people).

Broadly speaking, there are two types of trust to choose from, a Discretionary Trust and Bare Trust. A trust, in principle, is a very simple concept. It is a legal arrangement where the ownership of someone's assets (such as property, shares or cash) is transferred to someone else (usually a small group of people or a trust company) to manage and benefit a third person (or group of people). An appropriate trust can be used to reduce how much IHT your estate will have to pay on your death.

MAKE A WILL

By making a Will you are detailing what you want to happen to your assets after you die. A Will also nominates someone to be in charge of carrying out your wishes. If you die without making a Will the government could keep everything if a suitable heir is not found. The rules of intestacy (dieing without making a valid Will) can be very complicated and it should be noted that only your spouse or registered civil partner is assured of any inheritance. ◂

THE SOONER YOU START PLANNING, THE MORE YOU CAN DO

Whether you want to provide for the next generation or leave a charitable legacy when you die, or simply want to minimise an IHT bill, whatever your priorities are, the sooner you start thinking about this the more you can do. If you would like to discuss your situation or to find out more, please contact us – we look forward to hearing from you.

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 FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE WILL WRITING, INHERITANCE TAX PLANNING OR TAXATION ADVICE.

SPLASHING THE CASH

New 'YOLO' generation gambling with their financial future

THE PROSPECT OF SAVING FOR TOMORROW MAY FEEL TOO DISTANT FOR SOME, BUT TO ACHIEVE LONG-TERM GOALS (INCLUDING FINANCIAL SECURITY IN RETIREMENT) WE ALL NEED TO CONSIDER REPRIORITISING OUR NEEDS TO GIVE OURSELVES A BETTER FINANCIAL FUTURE. BUT, MORE THAN FOUR IN TEN BRITONS IN THEIR 30S AND 40S (45%) ARE STOPPING ANY FUTURE SAVING IN FAVOUR OF SPENDING THEIR CASH, ACCORDING TO SCOTTISH WIDOWS' TENTH ANNUAL SAVINGS STUDY.

YOUNGER COUNTERPARTS MORE SWITCHED ON

As the overall number of people saving has risen – up nine percentage points in the last five years to almost four in ten (39%) – those aged 35–49 are lagging behind in the savings stakes as their younger counterparts become more switched on to the need to save for the future.

Faced with the prospect of never owning a house, record low interest rates and the reality of working beyond state retirement age, Britons aged 35–49 are adopting the 'You Only Live Once' (YOLO) mentality usually associated with their younger counterparts (18–34 year olds), more than a third (37%) of whom are actively saving for the short and long term.

NEW 'YOLO' GENERATION NOT CURRENTLY SAVING

The research found almost a third (30%) of the new 'YOLO' generation (35–49-year-olds) are not currently saving anything at all, compared with less than a quarter (23%) of 18–34 year olds. More than a third (37%) of 35–49-year-olds admit they didn't save a penny in the last 12 months, versus 32% of 18–34-year-olds.

While a number of the new 'YOLO' generation appear to be carefree, not saving could also be borne out of necessity rather than choice for many. Half say they simply cannot afford to save for the long term, and those living in rented accommodation (24%) also face higher-than-average rent costs, forking out £495 a month (above the UK average of £475).

ALTERNATIVE WAYS TO RECOUP MONEY

All too aware of their financial situation, a third (34%) of 35–49-year-olds acknowledge they are definitely not saving enough to meet their needs, and some are looking for alternative ways to recoup money and cut down on spending. A quarter have resorted to turning the heating off to save money, while 22% have sold items online to make ends meet, and 27% have cut down on buying gifts for family and friends.

> DESPITE A WELCOME OVERALL IMPROVEMENT IN THE NUMBER OF PEOPLE SAVING, THE RESEARCH RINGS ALARM BELLS WHEN IT COMES TO THE DIFFERENCE IN ATTITUDES DISPLAYED BY DIFFERENT GENERATIONS. THE EMERGENCE OF A 'SPEND NOW, SAVE LATER, IF AT ALL' ATTITUDE AMONG THIS GENERATION.

Despite a welcome overall improvement in the number of people saving, the research rings alarm bells when it comes to the difference in attitudes displayed by different generations. The emergence of a 'spend now, save later, if at all' attitude among this generation – usually assumed to be more financially secure than its younger counterparts – shows there is work to be done to increase engagement with savings and ultimately plug this gap. ◂

WANT TO SEE HOW YOUR MONEY COULD GROW?

If you would like to look at the number of ways we can help you to save and invest for yours and your family's future and see how your money could grow, please contact us for further information.

Source data:

The tenth edition of the annual Scottish Widows Savings Study is based on a survey carried out online by YouGov who interviewed a total of 5,161 adults between 28 January and 4 February 2016.

LOOKING FOR AN EXPERT, FLEXIBLE APPROACH TO MANAGING YOUR WEALTH?

Trust, tax and insurance solutions to ensure your financial goals can be achieved.

Whether your wealth comes from building a business, successful investments or family inheritance, robust family and estate planning is essential for protecting your wealth. We'll work to understand your requirements and bring them together as part of a coordinated financial approach.

CONTACT US TO DISCUSS YOUR REQUIREMENTS.

APPETITE FOR RISK

Striking the right balance is important to avoid losses

WHILE DIVERSIFICATION IS IMPORTANT, YOU SHOULD KEEP IN MIND HOW MUCH RISK YOU ARE PREPARED TO ACCEPT ON YOUR MONEY. IF IT IS IMPORTANT TO YOU TO AVOID LOSSES, YOU MAY WANT A PORTFOLIO THAT HAS LESS IN SHARES AND MORE IN CASH AND FIXED INTEREST SECURITIES HELD TO MATURITY, FOR EXAMPLE.

KNOW YOUR RISK APPETITE

Saving and investing involves a variety of risks, for example the risk your money will not keep up with rising prices (inflation risk), the risk that comes with share prices going up and down (volatility risk), the risk that an institution will fail (default risk), and the risk that you could have earned better returns elsewhere (interest-rate risk).

The aim is to strike a balance between these different risks. What is a good balance for you will depend on:

- your personal circumstances – how much you can afford to lose (your capacity for loss)
- your investment goals, time frame and need for returns
- your personal attitude to risk

Taken together these make up what's called your 'risk appetite'. Of these three things your capacity for loss and your investment goals are most important. Personal attitude to risk is hard to measure and can be changeable, what feels comfortable one day may not the next.

HOW TO ASSESS YOUR RISK APPETITE

The following steps should be considered when deciding your risk appetite:

KNOW WHAT YOU CAN AFFORD TO LOSE

Ask yourself what would happen if you lost some or all of the money you're putting into investments. This will depend on your circumstances and how much of your money you're investing.

Think about people who depend on you financially and any other important financial commitments you need to be sure of meeting.

WORK OUT YOUR GOALS AND TIMINGS

Your saving and investing choices will depend on your goals and timescales. The bigger your goal in relation to the assets or income you wish to invest, the greater the rate of return required to beat inflation and hit your goal. Taking no volatility risk at all may make your goals impossible to achieve, taking too much may lose you your investment.

Short-term goals – under five years – such as a car or a house deposit are best saved for in cash. If you have a short-term goal your appetite for volatility risk would usually be low and cash products will be the best place to invest. You don't want to

be worrying about the state of the financial markets when you need your money to be readily accessible. However, cash savings run the risk of not keeping up with rising prices (inflation risk)

INFLATION-BEATING RETURNS

With longer-term goals, it's more usual to put your money into investments that have a better chance of giving you inflation-beating returns, such as shares, but which carry the risk of prices going down. A longer time frame gives your investment more time to recover if it falls in value. So if you have a long-term goal it makes sense to be prepared to take on volatility risk for the opportunity of higher returns.

However, as a long-term goal moves closer the risk balance should change. For example, you may want to start moving into less volatile assets a few years before the goal date, to start 'locking-in' gains, and to protect your investment against events like market falls. At any one time you may have a mixture of short-term or critical goals for which you want low volatility (such as saving up to move house), and some non-critical or long term goals for which you have a higher appetite for volatility (for example, saving towards retirement).

> “A GOOD WAY TO MANAGE RISK IS TO SPREAD YOUR MONEY ACROSS A RANGE OF DIFFERENT INVESTMENT TYPES. RISK ATTITUDE IS SUBJECTIVE AND IS LIKELY TO BE INFLUENCED BY CURRENT EVENTS OR RECENT EXPERIENCES.”

UNDERSTAND YOUR PERSONAL RISK ATTITUDE

A good way to manage risk is to spread your money across a range of different investment types. Risk attitude is subjective and is likely to be influenced by current events or recent experiences. When stock markets are rising we tend to feel comfortable with market risk, when they are falling we do not.

Most people are not comfortable with the idea of losing money. On the other hand we may regret it if we've been very cautious and our long term investments don't produce the returns we need. You can keep risks in line with your risk appetite by spreading your money across a range of different investments. ◂

IS TIME TO DISCUSS YOUR REQUIREMENTS OR REVIEW YOUR CURRENT PORTFOLIO?

It's important to evaluate and adjust your investment strategy regularly. The products you use and the percentage of your portfolio they comprise will change over time as a result of market conditions, investment performance, and other factors. We provide the professional advice, and ongoing service needed to help you achieve your financial goals and keep your investments on track. To discuss your requirements or to review your current portfolio, please contact us.

THE RUN-UP TO RETIREMENT

What the over 50s do with their money once the mortgage is paid off

BRITAIN'S OVER 50S ARE SPLASHING THEIR EXTRA INCOME THEY RECEIVE ONCE THEY'VE PAID OFF THEIR MORTGAGES ON HOLIDAYS, HOME IMPROVEMENTS AND GIFTS FOR THEIR CHILDREN[1], WHILE LESS THAN ONE IN FOUR ARE USING THE MONEY TO TOP UP THEIR RETIREMENT SAVINGS, NEW RESEARCH FROM SAGA INVESTMENT SERVICES HAS FOUND.

The investment and financial planning service surveyed homeowners who have paid off their mortgage in full to discover what they have subsequently done with the money in the run up to retirement.

Over 50s who own their home outright reported an average monthly income increase of £322. Asked how they used the money once their mortgage had been repaid, half put some of the money into a savings account, while 45% paid out for home improvements. Some 40% spent the money on holidays, while 27% bought a new car[2].

The survey also uncovered the gap between paying off a mortgage and retirement. The average retirement age[3] for those surveyed was 62, and this group paid off their mortgage at an average age of 55 – a seven year period of mortgage-free income.

PENSIONS LOW ON THE PRIORITY LIST

Less than one in four (23%) diverted the mortgage repayment 'pay rise' into their pension. Of those that did do it, an average of 40% of their additional income was put into their pension.

Pension contributions attract generous tax relief from the government, meaning their savings get supercharged as they head towards retirement. Up to 25% of the fund can usually be taken as a tax free amount and any additional withdrawals from the pension are taxed at the savers marginal Income Tax rate. Alternatively, the money can be invested in an ISA, which grows free of Income, Dividend and Capital Gains Tax and can be withdrawn tax-free. However, contributions to an ISA do not enjoy tax relief.

> SAGA INVESTMENT SERVICES ALSO SURVEYED HOMEOWNERS WHO ARE STILL REPAYING THEIR MORTGAGE. THEY REPORTED AN AVERAGE GAP OF THREE YEARS BETWEEN PAYING OFF THEIR MORTGAGE AND RETIRING, GENERATING AN ADDITIONAL MONTHLY INCOME OF £428.

Calculations carried out by Saga Investment Services show that if homeowners had diverted 100% of their monthly mortgage repayments into a pension until their retirement age, attracting basic-rate tax relief, a homeowner could have saved an additional £40,000 towards their retirement[4].

Saga Investment Services also surveyed homeowners who are still repaying their mortgage. They reported an average gap of three years between paying off their mortgage and retiring, generating an additional monthly income of £428. Using the same calculation methodology as above, Saga's figures suggest that they could build up almost £21,000 by placing all of this into a pension.

SWAPPING A MORTGAGE FOR A PENSION – HOW MUCH COULD YOU SAVE?

Average retirement age	62 years
Average age when the mortgage was repaid	55 years
Average monthly 'pay rise'	£322
Potential Payment at retirement age	£40,550

Figures assume a 5% annual growth rate net of charges, and basic-rate tax relief applied to monthly contributions. Investment returns could be higher or lower depending on the performance of the markets.

Repaying a mortgage is one of life's biggest financial achievements, and it's understandable that people want to enjoy the income boost that they're finally getting after decades of debt repayments. But this often comes when there's limited time to build up as big a nest-egg as possible for retirement. In our survey, a third of people said they were able to retire earlier than planned because they'd made the effort to put their extra income into their pension, while 44% said they have ended up with a higher retirement income than they originally expected.

Making the most of your finances in the run up to retirement is vital to ensure you have a comfortable life once work is over. Professional financial advice for people at this age can help formulate a plan to get the income they need. That's why it's good to see the Government backing greater access to advice by giving people early access to their pension to pay for the help they need. ◂

Source:

[1] Populus, on behalf of Saga, based on a sample of 989 homeowners aged 50+ carried out between 20 and 22 May 2016. Populus is a member of the British Polling Council and abides by its rules.

[2] Survey respondents could select more than one answer.

[3] Respondents in the survey were asked to state their retirement age and the age at which they repaid their mortgage separately, rather than estimate the gap between retiring and repaying their mortgage, to ensure greater accuracy. The average ages combine the actual retirement age of those already retired and the expected retirement age of those not yet retired.

[4] Pension growth figures assume 100% of average monthly mortgage repayments are invested into a pension, attracting basic-rate tax relief at 20%. The figures then assume an annual growth rate of 5% for the time between the age at which the mortgage is repaid and retirement age.

PENSION CONFUSION

Are most people unprepared for retirement?

PEOPLE ARE STILL BEING LEFT CONFUSED BY PENSIONS, WITH ALMOST TWO THIRDS NOT UNDERSTANDING THEIR KEY FEATURES, ACCORDING TO NEW RESEARCH BY WESLEYAN.

The research conducted by the specialist financial mutual revealed how much confusion there still is among most people when it comes to their retirement planning. Three quarters of people (77%) don't understand the pension freedom reforms put in place last spring, with 68% of those nearing retirement (over 55s) being unsure.

Overall, one in eight (12%) people incorrectly believe the reforms mean you can withdraw your full pension fund at any time, completely tax free. While one in seven (15%) believe you can only take a sum of your defined contribution pension once you retire.

LARGE FUNDING GAP

The research also showed people expect to need an average of £22,596 a year in retirement - almost a third more than the actual average UK pension income*, leaving a potentially very large funding gap for the average retiree

As the Government introduces the Lifetime ISA to encourage saving for retirement, it is clear many people still do not understand how much to save each month for the future, with more than half (58%) saying they don't know how much they should be putting into a pension pot.

The research shows how important it is for people to get proper advice to ensure they reach their retirement goals. How much people need in retirement depends on their own circumstances and needs, but what is clear is that many people have an idea of what they would like to have in retirement, but aren't planning early or effectively enough to achieve it.

LACK OF UNDERSTANDING

Given the amount of publicity that has surrounded the major pension reforms introduced last year, we would expect to see people begin to plan earlier for retirement, although that doesn't seem to be happening yet. While the regulation may have intended to make planning for retirement simpler and more flexible, in reality it appears people are still confused.

According to the research, four out of ten (44%) haven't done any research about pensions in the past year, despite all the changes, while more than a third have no intention of researching their retirement plans in the next 12 months either, suggesting those in the dark will remain confused about what lies ahead.

The over-55s did have a better understanding of how to identify a pension scheme with almost half (45%) correctly identifying the key features – compared with 30% of 25–34-year-olds.

The research also found three quarters (73%) of people are unaware they could get upwards of 25p from the government for every pound invested in a pension.

For people to enjoy the standard of living they dream of in retirement, it's imperative they not only plan their finances now so that they can afford it, but continuously review those plans. If what we are hearing is true, that many people have not started, nor do they intend to start, any research around what the pension reforms mean for them, then there is clearly a real and apparent need for knowledgeable, credible, expert advice. ◂

Source:

Research based on a survey of 1015 general consumers, by Censuswide on behalf of Wesleyan, February 2016

** Prudential Pension Research - Jan 2015*

ARE MILLENNIAL INVESTORS FACING A PERFECT STORM?

Looking at the mismatches between expectation and reality

DEPRESSED WAGES, ESCALATING LIVING COSTS AND A STRUGGLING GLOBAL ECONOMY – MILLENNIALS HAVE A LOT ON THEIR PLATES. THEY NEED INVESTMENT INCOME TO SUPPORT SHORT AND LONG-TERM FINANCIAL ASPIRATIONS. DOES SOMETHING HAVE TO GIVE AND IS THE PERFECT INVESTMENT STORM BREWING?

> A CHASM THAT HAS OPENED UP BETWEEN MILLENNIALS' INVESTMENT GOALS, THEIR UNREALISTIC INCOME EXPECTATIONS AND SHORT-TERMISM NEEDS TO BE ADDRESSED, OTHERWISE WE COULD BE HEADING FOR ANOTHER SOCIAL AND ECONOMIC CRISIS.

DEPRESSED WAGES, ESCALATING LIVING COSTS AND A STRUGGLING GLOBAL ECONOMY – MILLENNIALS HAVE A LOT ON THEIR PLATES. THEY NEED INVESTMENT INCOME TO SUPPORT SHORT AND LONG-TERM FINANCIAL ASPIRATIONS. DOES SOMETHING HAVE TO GIVE AND IS THE PERFECT INVESTMENT STORM BREWING?

The Schroders Global Investor Study 2016 found that millennial investors (those aged 18-35) have unrealistically high income expectations, a worryingly short-term investment outlook, and many dependencies to support both now and in the future.

The result could see millennials fall drastically short of their investment goals.

SCHRODERS GLOBAL INVESTOR STUDY REVEALED:

- Millennials demand more income (10.2%) than other investors (8.4%)
- Millennials have an extremely short-term investment outlook, with 63% holding investments for less than 2 years
- Millennials are risk averse, prioritising capital preservation and a return higher than inflation when choosing an investment
- Millennials' income is being stretched across a wide spectrum of dependencies from supplementing salary and pension to supporting children and buying houses

IS A FINANCIAL STORM BREWING?

It is a potentially toxic mix. We live in a world where most developed nations' interest rates are at or below 0.5%, and, in some cases, heading lower. The average stockmarket yield is just 3.8%[1].

To get the higher income they demand millennials would either need to take more risk or hold investments for a longer period in order to ride out market cycles, neither of which they seem willing to do.

THE MAJOR RISK IS THAT MILLENNIALS ARE LABOURING UNDER TWO MISAPPREHENSIONS:

- Their investments will grow faster than is realistic
- The pot they ultimately do build will pay a far higher income than is likely

Compounded over a 20 or 30-year time frame, the gap is potentially huge, making the mismatches between expectation and reality identified by the Schroders Global Investor Study 2016 a cause for real concern.

STRETCHING INCOMES TO THE LIMIT

To make matters worse, millennials have a far greater number of dependencies than older generations over which their income is being stretched.

SCHRODERS GLOBAL INVESTOR STUDY FOUND THE MAIN REASONS MILLENNIALS INVESTED WERE:

1. To supplement salary (46%)
2. To grow a portfolio (41%)
3. To supplement pension (35%)
4. To provide income for children/relatives (30%)
5. To buy something other than a home (28%)
6. To pay for a deposit for a home (26%)
7. To pay education fees (26%)
8. To pay for healthcare (22%)

Yet, according to a recent Guardian newspaper study, 'a combination of debt, joblessness, globalisation, demographics and rising house prices is depressing (millennials) incomes.'[2]

The chasm that has opened up between millennials' investment goals, their unrealistic income expectations and short-termism needs to be addressed, otherwise we could be heading for another social and economic crisis. ◂

Source:

[1] Source: FTSE, S&P 500, CAC, DAX, Shanghai, Nikkei, ASX, Hang Seng, Bovespa, Mexbol. Average forward 12-month yield across 11 indexes as at 18 May, 2016, according to Bloomberg data.

[2] http://www.theguardian.com/world/2016/mar/07/revealed-30-year-economic-betrayal-dragging-down-generation-y-income

BRITONS' ATTITUDE TO MONEY

An in-depth look at Britain's changing attitude to savings and investments

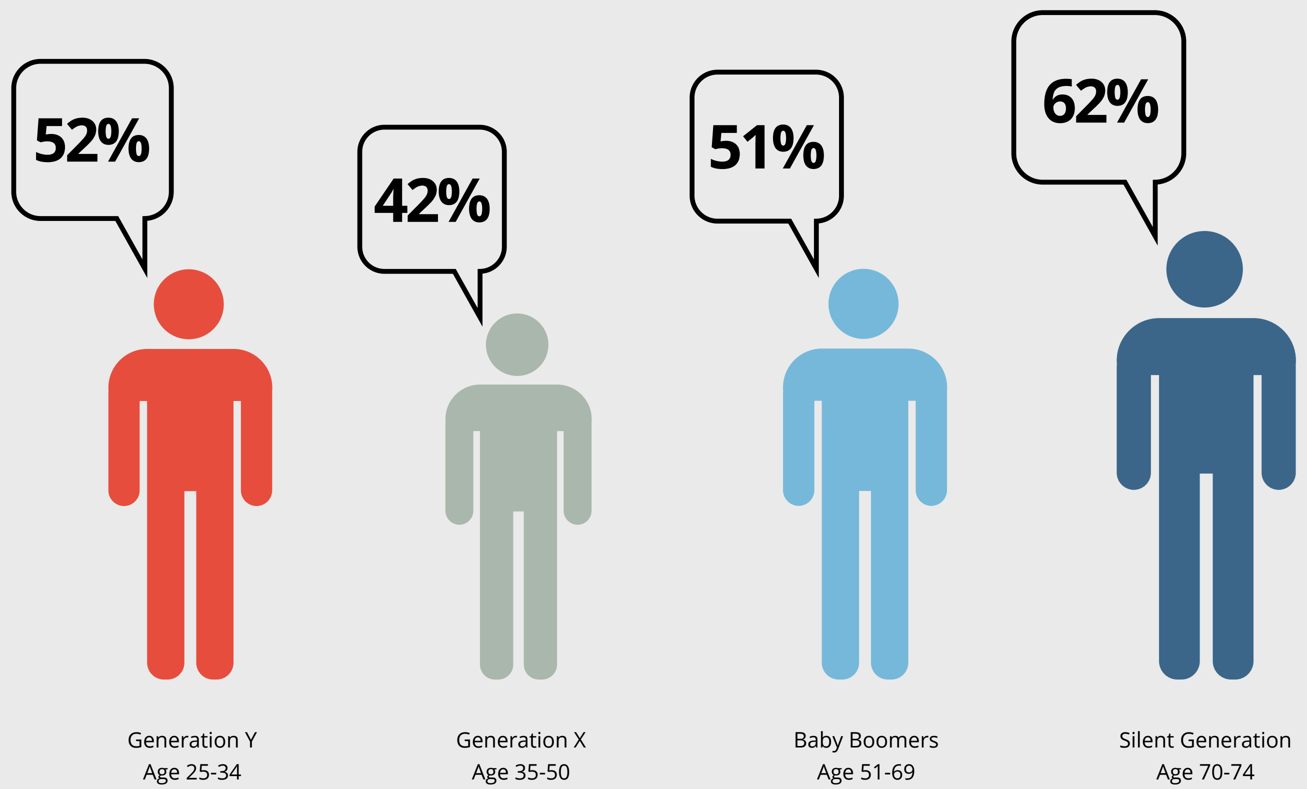
NOW IN ITS FOURTH EDITION, THE LATEST BLACKROCK INVESTOR PULSE SURVEY PROVIDES AN IN-DEPTH LOOK AT BRITONS' ATTITUDE TO MONEY. HERE WE HIGHLIGHT A GROUP WE COULD ALL LEARN FROM: THE UK'S 'SMART SAVERS AND INVESTORS'.

CONFIDENCE IS RISING, BUT MANY PEOPLE STILL DON'T FEEL COMFORTABLE MAKING FINANCIAL DECISIONS

Although Britons are feeling better about their financial futures, many still worry they're not making the best decisions. Younger people who are more likely to have clear savings targets and those closer to retirement are the most likely to feel confident.

SENTIMENT

CONFIDENCE MAKING THE RIGHT FINANCIAL DECISIONS



Source: *BlackRock Investor Pulse was conducted in association with Cicero Group between July and September 2015. A nationally representative sample of over 31,000 people in 20 countries was surveyed. They were aged between 25 and 74 years old. 4,000 were UK residents and, of this 4,000, 750 met the criterial for wealthy assets – having investable assets of more than £100,000 or an income greater than £100,000 as an individual or £150,000 as a household. The results of this survey are provided for information purposes only. The conclusions are intended to provide an indication of the current attitude of a sample of 'wealthy investors' in the UK to saving and investing and should not be relied upon for any other purposes.*

WHY NOW IS THE TIME TO REVIEW YOUR PENSION

Taking an active interest in your retirement savings

MILLIONS OF SAVERS CURRENTLY SPEND VERY LITTLE TIME REVIEWING THEIR PENSIONS, WITH MORE THAN A QUARTER OF SAVERS (28%) ADMITTING TO NEVER REVIEWING THEIR RETIREMENT SAVINGS, WHILE ALMOST A FIFTH (19%) OF THOSE WITH A PENSION SAID THEY REVIEW IT LESS THAN ONCE EVERY FIVE YEARS[1] ACCORDING TO FIGURES RELEASED BY AVIVA.

Gender also has a role to play. The number of women who are not engaged with their pension is particularly high, with almost a third (32%) saying they never review their savings, compared to a quarter (25%) of men.

MOST PEOPLE HAVE NO IDEA WHAT THEIR PENSION IS WORTH

Worryingly, Aviva's figures show that only just over a quarter of people (27%) think that their current contributions into their company pension scheme will provide enough for them in retirement[2]. Ask most people what they earn now and they'll have a pretty good idea, sometimes down to the penny, but most people have no idea what their pension is worth.

The figures show that urgent action is needed to encourage people to take an active interest in their retirement savings. While the number of people reviewing their pension is worryingly low, the research shows that the main thing that does cause them to act is the arrival of their annual pension statement.

REGULARLY CHECK HOW YOUR PENSION IS PERFORMING

Investment funds rarely continue to perform well year after year, so it's important to regularly check how your pension is performing. In addition, over time the amount of risk many of us are prepared to accept in our investments typically tends to reduce, to the extent that by the time we're close to retirement we may not wish to take much risk at all.

The closer you get to approaching retirement, the more important it is to know how your pension fund is performing. If you wait until your retirement, the chances are you will have no idea what income you will receive, and then it's too late to make any changes. The longer you have to prepare for retirement, the much greater chance you have of doing something about it and achieving a comfortable retirement.

CONTRIBUTIONS SHOULD KEEP PACE WITH OUR INCOME

As part of a year-long study into people's financial habits, consumers were asked which events had caused them to review their pension. The most popular answer was receiving an annual statement from their provider (35%), followed by a pay increase (28%) and starting a new job (17%)[3]. ◂

> "INVESTMENT FUNDS RARELY CONTINUE TO PERFORM WELL YEAR AFTER YEAR, SO IT'S IMPORTANT TO REGULARLY CHECK HOW OUR PENSION IS PERFORMING."

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

WANT TO MAKE MORE OF YOUR RETIREMENT?

Retiring is a huge moment in anyone's life. If you are thinking about your retirement (and what you want to achieve from it), please contact us to discuss your situation and the options available to you.

Source data:

[1] Friends Life (now part of the Aviva group) survey of 9,498 people in the UK with a pension, carried out by YouGov (Jan–Dec 2015)

[2] Friends Life (now part of the Aviva group) survey of 3,618 people in the UK who contribute to a company pension, carried out by YouGov (Jan–Dec 2015)

[3] Friends Life (now part of the Aviva group) survey of 2,347 people in the UK who have reviewed their pension, carried out by YouGov (Jan–Dec 2015)

Published by **Goldmine Media Limited**
Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL