Chrysalis
Wealth Management

Chrysalis Wealth Management Ltd
4 St Georges House
Vernon Gate
Derby
DE1 1UQ

Telephone: 03333 449 321
Email: info@chrysaliswealth.com
Website: www.chrysaliswealth.com
Facebook: www.facebook.com/chrysaliswealth

Money & Wealth

Issue 6 | Autumn 2018

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Learning to be a financially-savvy family

Some families have no problems openly discussing their finances, but for others it's more of a challenge. The Money Advice Service says that 58%[1] of parents report finding it difficult to talk to children about financial matters.

Many people say they aren't comfortable talking about money with their children. One of the reasons parents give is that they feel children shouldn't be troubled with adult responsibilities. However, giving your children the skills and confidence they need to manage their money early in life can help them avoid money worries in the future.

Getting the basics right

There are basic financial management skills that it pays to acquire from an early age. These include knowing how to draw up a budget and what should go into it. Getting into the savings habit early and putting even small amounts away regularly, will help to build up a rainy-day fund. Knowing how interest rates affect the amount of money you pay back on a loan or mortgage, and how compound interest can help savings grow, are all useful lessons.

Creating learning opportunities

Getting involved with the family shop can be a good opportunity for children to learn about making the right financial choices. It can help them understand from a young age that money is finite, and sometimes choices have to be made in order to keep within a budget.

There are practical ways to help children save, such as a Junior ISA, which gives them the opportunity to see how a tax-efficient savings account operates, and they can watch their money grow over the years. The savings limit for the 2018–19 tax year is £4,260, and once the

account has been opened by a parent or a guardian, then family and friends can also contribute within the annual JISA limit. No withdrawals can be made until the child is 18 (except in special circumstances), meaning that if a child saves regularly, an ISA can represent a useful nest egg when they reach adulthood.

Talking to children about family expenditure such as holidays, and how you arrive at a budget for them, will give them the rudiments of money management. When interest rates rise, talking as a family about the implications for your mortgage and the family budget will help prepare them for the day when they're ready to take their first steps on the housing ladder.

[1]The Money Advice Service

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Protection – awareness is growing

The saying that "life is what happens when you're busy making other plans" often turns out to be all too true.

That's why people take out protection policies. There are plans available that pay out lump-sums or provide an income to ease the financial burden if death, accident or serious illness strikes.

Protection plans are one of the best ways of ensuring your family is provided for financially if unexpected events occur, sparing them from having to cope with money worries on top of everything else.

Getting the message

Recent data from the financial software company IRESS[1] highlights a positive trend in the sale of protection products through its software, in the first six months of this year. Life term insurance and income protection saw the largest year on year increase in new business, up 35% in the first six months of the year, compared with the same period last year.

This increase is in part attributed to greater health awareness, and a better understanding of the role that protection policies can play in keeping a roof over a family's head and ensuring that household bills continue to be paid.

If you'd like advice on choosing the right insurance cover, do get in touch.

[1]IRESS, 2018

Income protection (with no investment link) has no cash in value at any time and will cease at the end of the term. If you stop paying premiums your cover may end.

Keeping your finger on the pulse of the global economy

Keeping pace with global economic developments can be tricky. There's a skill in blocking out all of the noise, political and otherwise, and focusing on the bottom line fundamentals. So, what do you really need to know as winter approaches?

Over the last few months, a series of positive economic data has been released, however there are a number of potential issues that could act to restrain the pace of growth across the latter half of the year. The OECD composite leading indicator, which covers advanced economies plus China, India, Russia, Brazil, Indonesia and South Africa, has been in decline since peaking in January and slipped below trend in both May and June. This led the OECD to concede that its lead indicators are: *"pointing tentatively to easing growth momentum"*.

On the naughty list

At the top of the 'potential problem' list is the continuing trade tensions between the US and the rest of the world, and the re-emergence of protectionist policies. Very closely followed by the prospect of a no-deal Brexit and the impact of monetary tightening in the form of interest rate rises, both of which also have the potential to precipitate a softening in global growth over the coming months.

The finer detail

Arguably the prime area of concern in relation to global economic growth prospects remains the threat of a full-blown trade war. Since Donald Trump was elected US President on a protectionist agenda nearly two years ago, the possibility is evident and still looms large.

During the summer months, the prospect of a no-deal Brexit does seem to have intensified, although the full ramifications are near impossible to predict, it would seem safe to assume that such a scenario will have negative economic consequences for the UK.

Despite the government suggestion that securing a deal is "the most likely outcome", interestingly it recently started publishing a series of technical notices, intended to prepare businesses, citizens and public bodies for the possibility of a no-deal Brexit. This latest volume of literature rests alongside the 68 technical notices already produced by the EU on such an eventuality.

So, while no one is currently predicting the onset of a sharp slowdown or recession, and grounds for optimism remain in terms of future growth rates, there are signs that the global economy may be starting to lose a little momentum. The good news is, investment opportunities always exist.

Don't bury your head in the sand

It's been estimated that over half of UK workers are acting like ostriches when it comes to pension planning, burying their heads in the sand and hoping that the problem will go away if they do nothing. So, what steps do you need to take to ensure you have a reasonable level of income when you reach retirement?

Time to plan

You need to take a realistic approach. Think about when you want to retire, and whether you want to adopt a more flexible approach, perhaps working part-time for a few years. Getting a state pension forecast will also show you how much you can expect to receive, so you can then work out how much money on top of that you'll need to fund the type of retirement you're looking for.

Taking advantage of your workplace pension scheme makes good sense, as your employer has to contribute too. You'll get a regular statement from the scheme that will show you how much you have accumulated in your fund, and it makes sense to contribute as much as your circumstances will allow.

Having several pension pots

If, like many of us nowadays, you've had several jobs and built up pension funds with different employers, it makes sense to track them down. Taking financial advice will help you decide whether it would make financial sense to consolidate them into one plan.

Talking to us will help you see the complete picture. We will consider any other assets you might have, like ISAs or investments that could play a part in your retirement planning.

Starting a pension early really pays off, so don't let the years slip by before putting retirement planning in place.

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RESEARCH SHOWS THAT WOMEN ARE BETTER SAVERS THAN MEN

Saving for a comfortable retirement ought to be on everyone's financial agenda, and it seems that women are listening to this message and are saving more for their future than men, after adjusting for earnings.

Women naturally tend to be hampered in their efforts to save into a pension plan. They are likely to have time away from the workplace to raise their family, and may choose to work part-time to accommodate their child care arrangements, or to look after ageing parents. The rising cost of childcare can often mean that pension saving has to take a lower priority.

The fact that women are now saving more as a percentage of their earnings, but still have lower balances in their pension plans at retirement, shows the effect that the gender pay gap continues to have. Although a recent survey[1] showed that women's expected retirement income has hit a record high this year, they still have an average retirement income that's likely to be around £5,000 lower than men's.

[1]Prudential, 2018

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How to plan for retirement when you reach 50

Retirement can seem decades away in your forties, but it generally starts to seem an awful lot closer once you reach your half-century.

Although pension planning should ideally begin the day you start work, more often than not, it starts in earnest when people enter their fifties. By this stage they have often reached peak earnings, and so planning for the future becomes even more important.

Think through various scenarios

It's time to start thinking about your life in retirement, how you'll want to spend your time, and how much income you will need to make it all happen. Nowadays, retirement is a fluid concept, with many people choosing to work on well past their normal retirement age, because they enjoy the mental stimulation that work provides, or because they need to supplement their income. Getting a retirement plan in place will let you see what choices will be open to you when the time comes. Like all the other big events in life, the more time you have to explore your options, the better.

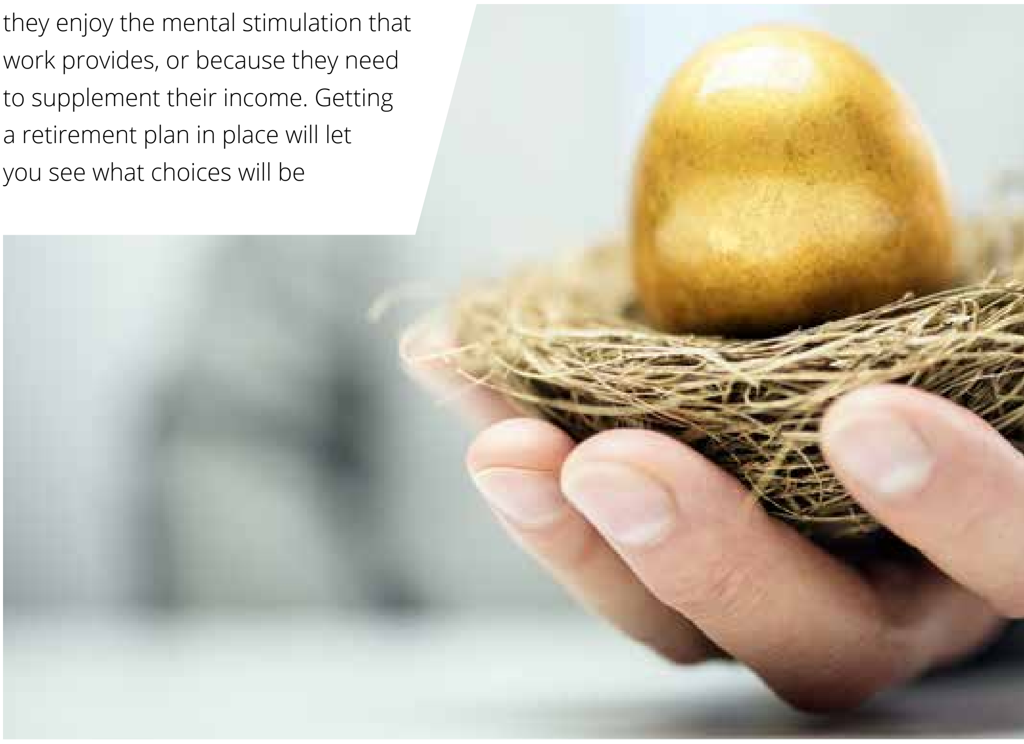
Getting the advice you need

Taking financial advice will help you get a true perspective of how much money you'll have available in retirement. We will help you work out what the values of your current plans are, including your state pension entitlement. That way, if there's likely to be a shortfall, you still have time to increase your savings.

Now is also the time to trace any pension pots you may have accumulated with past employers and lost track of. If you have several pension plans, we will be able to help you work out if it would make sense to consolidate them.

Taking a holistic approach

As retirement nears, it's important to



It's time to start thinking about your life in retirement, how you'll want to spend your time, and how much income you will need to make it all happen

keep an eye not just on your pension, but also to think about tax-efficient savings like ISAs, and any investments you may already own. Many people find it helpful to get a cash flow forecast prepared that enables them to see how much income they are likely to receive from all sources when they retire. A forecast can help you plan major expenditure and explore various scenarios, like the financial impact of downsizing, or the effects of giving money away to family members during your lifetime. It can also help ensure that you make provision for important things like the potential need for later-life care.

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Pension scams losses jump 71%

You may have seen the TV advert addressing pension scams. The figures make stark reading, with the average amount lost being £91,000[1].

The government had planned to introduce a ban on cold-calling, one of the most frequent ways in which scammers contact their victims, but this is now unlikely to come into effect until next year. Many of the scams that are currently in operation start with an unexpected phone call, email, text or social media approach.

April 2015 saw the introduction of changes to the pension regulations that gave people greater freedom to access money held in their pension funds. Since then, fraudsters have been attempting to separate people from their hard-earned pension savings, and the losses reported have risen alarmingly.

In the light of the recent rise in scams, City regulators are redoubling their efforts to warn people in their 40s, 50s and 60s of the tell-tale signs that they are being conned, and alert them to the risk of pension fraud.

If it seems too good to be true...

Fraudsters invariably put forward what on the face of it are convincing stories. However, beneath all the smooth sales talk, many of the scams turn out to promise unfeasibly high levels of return, or offer novel investment opportunities that are unauthorised or simply don't exist.

Here are some simple tips for avoiding fraud:

- Reject unexpected pension offers whether made on social media, online, or over the phone
- Check out anybody you intend to deal with on the Financial Conduct Authority register. Here you'll be able to see if they are authorised
- Don't be put under pressure; making victims feel they must act swiftly is all part of the scam
- Seek financial advice before taking any action involving your pension.

[1]Action Fraud, 2018

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Majority of Britons are 'trend spenders'

If you've ever let your heart rule your head when it comes to spending, you certainly aren't alone. A recent survey[1] showed that the majority of Britons fall into the 'trend spender' category, one of several groups that the bank HSBC has identified to define people's various attitudes to managing their money and saving.

While 'trend spenders' don't feel concerned about spending money to maintain their lifestyle, 'sensible sages' or 'skilled savers' are much more likely to be careful with their money, and consider saving for the future more of a priority.

Differing approaches to money

The survey found that Londoners are often classed as 'driven achievers'. These are people who tend to research their financial options very carefully, but will push their financial boundaries if they feel that to do so will give them a good return. By contrast, 'self-sufficient spenders' are likely to be cautious when it comes to taking risks with their money, and consider saving to be an important goal for them.

'Budget gurus', as the name suggests, are the envy of their friends as they understand how to manage their money, budget effectively and tend to make careful financial decisions. 'Controlled savers' have, as you'd imagine, got the saving habit, whilst the 'spontaneous spenders' would rather choose a good night out than stay in and save. Interestingly, millennials are most likely to categorise themselves as 'sensible sages', with many of them seeing no point in getting into debt unless they can pay it off in full every month.

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HSBC commented that 45% of people check their main bank account once a week or less, and one in ten only check it once a month.

[1]HSBC, 2018

What are the main asset classes?

What is an asset class? A financial dictionary will tell you that it's a group of securities that show similar behaviour and characteristics in the market place. There are three traditional asset classes – cash or money market investments, fixed-income and equities. In addition, most fund managers would include property and commodities.

To improve the potential for long-term gains and spread risk, the advice from experts is to diversify your investments across a range of companies, asset classes and geographical regions.

▸ **Cash**
Cash carries the lowest risk of all the asset classes, and provides good diversification when held alongside riskier assets. Holding cash in a portfolio can allow you to take advantage of investment opportunities that may present themselves

▸ **Bonds or fixed-interest investments**
Bonds are corporate and government loans which pay a given amount of interest over a set period of time. They are traded on the open market, and the capital value can go up and down. Most investors stick with government bonds (gilts) or the least risky type of corporate bond, known as an investment-grade bond

▸ **Stocks or equities**
When companies need to raise money, they sell shares; these are usually referred to as 'equities'. Historically, the best returns have come from these shares; however, they come with a greater degree of risk as markets can rise and fall

▸ **Property**
Property investments made in portfolios are usually commercial property held through a pooled fund. Commercial property is a good diversifier as it has a low correlation to other asset classes, and has provided good long-term gains, though retail property in particular has been suffering lately. Property markets are illiquid and can go through cycles of boom and bust

▸ **Commodities**
Commodities can include oil, gold, iron ore and copper and even things like pork bellies (although pork belly trading ceased in 2011). These are generally high risk because their value depends on conditions within a specific market, whilst some forms of contract multiply the risk

HAVE YOU EVER COMMITTED TO FINANCIAL AGREEMENTS YOU DON'T UNDERSTAND?

At some point, we've all been confronted with complicated documents we're expected to sign. And if we're honest with ourselves, we probably didn't completely understand all the small print. Recent research shows that this is a widespread problem that affects one in four of us.

More than half the adults questioned for the survey believed they had overpaid for something because the contract was overly complicated.

Research from the University of Nottingham showed that some insurance contracts require PhD-level education to fully understand them.

Advice that's in plain English

No matter what your level of education, complex information that uses a lot of unfamiliar jargon can be very difficult to understand, and you can find yourself confused about vital information.

That's why more and more people are working with advisers to ensure that when they commit their hard-earned money

into financial products like mortgages, savings, investments or pensions, they have someone on their side who can help them choose the right options, interpreting important details for them in a clear and simple way.

IHT in focus

Inheritance Tax (IHT) receipts hit £5.2bn in the 2017-18 tax year according to statistics from HM Revenue & Customs, an increase of 8% on the previous year's figure.

IHT is a complex tax that many believe needs a complete overhaul. Earlier this year, Chancellor Philip Hammond announced a review of the tax and its operation, asking the Office of Tax Simplification, an independent adviser to the Treasury, to put forward proposals to ensure that the tax was fit for purpose, and more streamlined in its operation. The results of the consultation are expected back in time for the Autumn Budget.

Areas of concern

Two areas of the IHT rules that many people can find unfair and difficult are the operation of the residence nil-rate band and the rules surrounding making gifts.

As it currently stands, the regulations governing the operation of the residence nil-rate band penalise those who don't have direct descendants and so wish to leave a property to, say, a niece or nephew. They don't have this allowance at their disposal when IHT on their estate is calculated.

Those calling for a review of the rules on gifting often express the view that the annual gift allowances have remained at the same level for many years and are now out of date, citing as an example the rather arbitrary annual tax-exempt gift allowance of just £3,000.

The individual tax-free threshold which has remained at £325,000 since 2009 comes under criticism for failing to keep in line with inflation, and with rising property values has meant more families have been drawn into the IHT net.

Many would opt for combining all the many allowances and reliefs into one larger allowance. However, for now we will have to wait and see.

THE AVERAGE PERSON NEEDS **£260,000** FOR RETIREMENT

Everyone would like to look forward to a financially-comfortable retirement, with enough money saved to make the most of their free time.

Working out how much you'll need to have saved in your pension pot to make that happen will depend to a large extent on your personal circumstances. However, a recent research study[1] provides some useful pointers as to what that figure might be.

According to the study, the amount needed to fund a comfortable retirement, when someone opts to stop work at 65 and decides to buy a single-life annuity with inflation protection, has now reached £260,000 for a homeowner. For those who don't make it onto the housing ladder and will need to pay rent during their retirement years, the figure will be even higher at £445,000. In arriving at these figures, the research assumed average earnings of £27,000 a year, and a full state pension of just over £8,500.

Saving for a comfortable retirement

The earlier you start saving for retirement the better, due in part to the powerful effects of compound interest (earning interest on interest) and reinvested share dividends – both playing a part in investment growth. If you leave pension planning to your later years, your money won't have as long to grow.

To encourage everyone to save for their retirement, the government gives tax relief on pension contributions. So, if you pay into a pension, or if your employer deducts your payments from your salary, you automatically get 20% tax relief as an additional deposit into your pension pot. If you are a higher-rate taxpayer you can claim an extra 20%, while those paying additional-rate tax can claim back an extra 25%. When you retire, you can take 25%

of your savings as a tax-free lump sum, though not necessarily all in one go.

If you save into a workplace pension, your employer should match some or all of your contributions, providing a welcome boost to your pension.

[1]Royal London, 2018

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Trigger moments – highlighting the need for protection

Have you got the protection policies that you need? It pays to begin thinking about insurance cover once you take on financial responsibilities such as buying a house, or starting a family.

If you weren't able to work and earn money due to illness or injury, how long would you and your family be able to survive financially? We can offer advice about cost-effective policies, that can provide peace of mind and protect your lifestyle.

Families need futures

Starting a family is an exciting and fulfilling time. Having children is a big responsibility, and every parent's top priority is to protect and nurture them. You'll want to plan as wisely as possible for their future too. You'll need life assurance to ensure that if anything were to happen to you, your family wouldn't be left struggling financially.

If you haven't already done so by this stage, you might want to think about income protection and critical illness cover, as well as private health insurance.

A big promotion, a larger mortgage and further additions to your family are all times when you should think about the amount of insurance protection you have, and get some good advice about the plans you need.

Empty nesters

It can be easy to think that your days of needing insurance are behind you, but you may find life policies have a valuable part to play in passing on your wealth to future generations. If your spouse depends on your pension, you may want to take out a policy that would provide funds on your death.

If policies are written in trust, the proceeds can be paid to the beneficiary without the need to wait for probate to be obtained.

Income protection (with no investment link) has no cash in value at any time and will cease at the end of the term. If you stop paying premiums your cover may end.

TIME TO TAKE YOUR PENSION? HOW TO GET IT RIGHT

There's a lot to weigh up when you retire. Taking the right decisions about your pension pot from the outset is vital, as you won't want to risk outliving your money.

Before accessing your defined contribution (money purchase) pension, it makes sense to work out how much your living expenses are likely to be and get a state pension forecast. That way, you'll have a better idea of how much you need to take each year to cover your living expenses.

There are several ways to take money from your pension pot, including taking 25% as a tax-free lump sum, income drawdown and annuities. We can help you assess your financial circumstances and work out the best way for you to take money from your pension pot.

The Financial Conduct Authority recently reported that a third of consumers who accessed their pension had put large amounts into deposit accounts. With interest rates remaining low, they could be losing out in terms of the growth that they could have achieved by leaving their money invested for longer.

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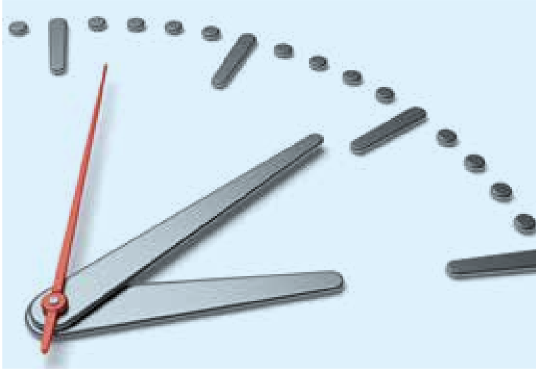

One in ten will cash in their pension pot in one go

The pension freedoms launched back in April 2015 have given people more choice and flexibility as to how they use their defined contribution (money purchase) pension savings.

This includes the ability to take the entire fund as cash. However, it's important to be aware that doing this could mean risking higher tax bills.

Government estimates have indicated that around £2.6bn was paid in tax by people taking advantage of the pension freedoms in the 2015–16 and 2016–17 tax years.

Making withdrawals

A survey by a major insurer[1] found that 10% of people planning to retire this year expect to withdraw their entire pension savings in one go, and depending on their circumstances this could be a risky strategy.

When you retire, you can take 25% of your pension pot as a tax-free lump sum. If you take more than that, any amount over the 25% tax-free limit will be added to your other income, such as your state pension, and will be assessed as taxable income.

This could mean that by taking all the cash at once, you push yourself into a higher tax bracket and will receive a hefty tax bill. Whereas, if you were to take the cash from your pension in instalments over the years, your tax bill would be less. Plus the money you leave in your pension fund would remain invested, giving it the potential for further tax-efficient growth.

Planning ahead

Unless you have a definite plan for any cash you withdraw, it's worth considering leaving your pension invested for longer. Putting the money into a bank deposit account means it will only attract low rates of interest and will be eaten into by inflation; and it will form part of your estate when you die, whereas keeping it within your pension pot could have Inheritance Tax advantages. Professional advice will help you make the best use of your pension fund.

[1]Prudential, 2018

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Taking withdrawals may erode the capital value of the fund, especially if investment returns are poor and a high level of income is being taken. This could result in a lower income when the annuity is eventually purchased.

STOCKS AND SHARES ISAs INCREASE IN POPULARITY

Figures from HM Revenue and Customs (HMRC) have revealed that during the 2017–18 tax year, stocks and shares ISAs rose in popularity with 246,000 more accounts subscribed to compared to the previous tax year. At £28.7 billion subscriptions for the year (2017–18), this is £6.4 billion higher than in the 2016–17 tax year.

The current year ISA allowance is £20,000.

Give your kids a head start with a JISA

Junior ISAs (JISAs) have also continued to grow in popularity, with the number of accounts subscribed to increasing from 794,000 in the 2016–17 tax year, to 907,000 during the 2017–18 tax year, figures from HMRC have revealed. The amount held in stocks and shares JISAs went up from £1.37bn in 2016–17 to £1.85bn in 2017–18.

JISAs are held in your child's name and provide a tax-free way to save for your child until they are 18. You can contribute up to a total of **£4,260** during the current tax year; other relatives or friends may chip in within that total.

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