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Money & Wealth

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Are you bad with money? One in ten Brits confess they are

Many of us it seems aren't great at managing our finances; according to a recent survey[1], putting away money for the future never quite makes it to the top of the 'to-do' list for one in ten of us.

And that's not all; many never find the time to plan pensions, review their mortgage or make sure loved ones would be provided for financially if an accident or illness were to strike. So how can we put this right?

Aim to save more

At some stage in our lives we are all going to need savings to fall back on. ISAs are a great way to save tax-efficiently, and the annual allowance for 2018-19 is a generous £20,000. Even small amounts saved regularly will mount up over time.

Review your mortgage regularly

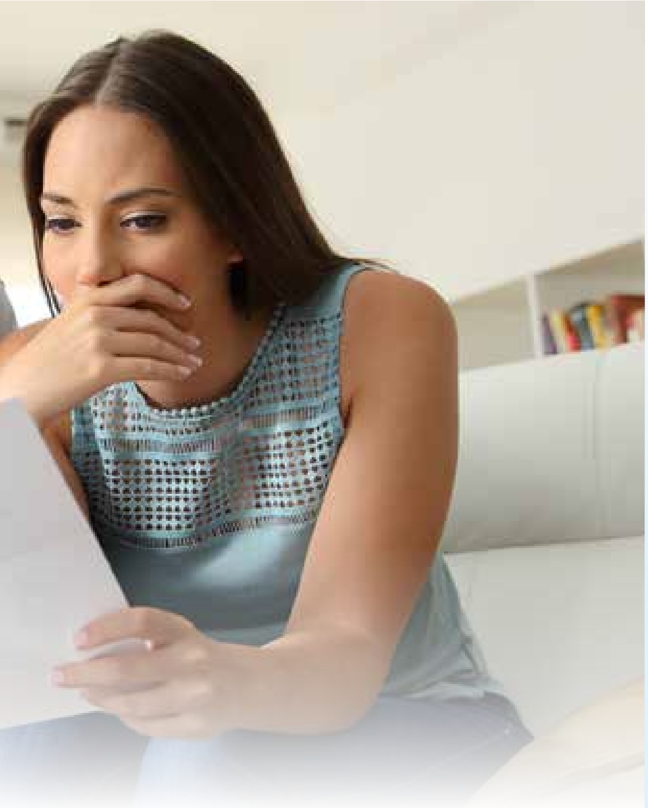
With the continuing uncertainty about the future level of interest rates, it's easy to overlook the need to review your mortgage. Those on standard variable rate mortgages often end up paying this rate by default once their fixed or tracker deal ends. If your current deal is about to end, or you've had the same deal for a while, ask us to review your options.

Plan for your family's future

It's worth keeping life policies under review, as over the years your needs change. Check you have enough cover for your current situation. Should you be thinking about inheritance tax planning? With the rise in property prices, more families are finding themselves drawn into the tax net.

Start your pension planning as early as possible

It seems unlikely that the state pension will ever represent more than a basic safety net, and this should be a strong incentive



It's worth keeping life policies under review, as over the years your needs change.

for all of us to make adequate pension provision. It makes sense to review your pension regularly, and aim to contribute as much as you can comfortably afford and are allowed to under current legislation.

Make a Will

Anyone with a family should have a valid Will in place. If you die without having made one, your wealth will be distributed under the rules of intestacy. This can mean that those you might have wanted to inherit could receive nothing. If you already have a Will, it's worth considering if it needs updating.

[1]PiggyBank, 2018

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

Dividend allowance – finding a shelter

From the start of this tax year, the amount of unsheltered dividend income paid out by companies to shareholders, that can be earned tax-free, was reduced from £5,000 to £2,000 per year. This reduction comes just two years after the allowance was first introduced, and leaves many investors considering their options.

The government estimates that in the 2018–19 tax year, the dividend cut will affect around 2.27m investors with portfolios not sheltered within tax-efficient savings vehicles such as ISAs and pensions.

It will also have tax implications for small business owners who have in the past typically taken a low salary which they have topped up with dividends, as this represented a considerable saving in income tax and National Insurance contributions.

Any dividend income above the £2,000 limit will be taxed at 7.5% for basic rate taxpayers, 32.5% for higher rate tax payers and 38.1% for additional rate taxpayers.

Tax-efficient wrappers such as ISAs and pensions look set to become more important for investors with dividends in excess of the allowance who are looking to mitigate their increased tax exposure.

Plan today for the retirement you deserve

You may feel that retirement planning isn't the most riveting topic, but the sooner you engage with the concept, the sooner you'll be able to put plans in motion to secure your financial future.

If you are disengaged from thinking about your retirement, you aren't alone as a recent study[1] reveals. In the UK, 45 to 54-year-olds spend on average two hours more per year planning their summer holiday or redecorating, than they do putting a strategy together for their retirement.

Invest time to reap the benefits

Your retirement plan is unique to you. Planning for it isn't just about getting your finances organised, you need to really think about what you'd like to do and how you'd like to live. Depending on your circumstances, you may see retirement as an opportunity to completely change your lifestyle, maybe move home, travel the world, learn a new skill or just put your feet up!

Like all big projects in life, the more time you can invest in thinking it through, the better the outcome will be. Changes in legislation have given those about to retire far greater freedom when it comes to using their pension pot, but freedom brings greater individual responsibility. With longevity increasing, more people than ever will spend longer in retirement. Getting financial planning advice before accessing your pension pot can go a long way to help alleviate financial worries later on in life.

Budgeting for your lifestyle

Spending in retirement tends to follow a u-shaped curve. People often spend more money in the early, more active years of their retirement, with spending decreasing in the middle years and increasing again later in life when additional care and medical expenses are more likely to be required.

It makes sense to draw up a budget for your retirement that covers your likely income needs. Things to think about include factoring in income from employment, or will you choose to give up work altogether? You may decide to downsize from a family home to a smaller retirement apartment, meaning you can extract some equity to bolster your income. Do you intend to help your children or grandchildren financially? You will also have to think about the likelihood of needing care in your later years.

However you plan to spend your retirement, taking professional advice early can really help create a successful roadmap for your financial future.

[1]LV=, 2017

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What next for the global economy?

It was a disappointing beginning to 2018 for many major advanced economies. The UK endured a woeful start, with estimates suggesting gross domestic product (GDP) rose by just 0.1% in the first quarter, the weakest rate of growth since the final quarter of 2012.

A similar picture of weakening growth emerged across the other major advanced economies. Growth in the Eurozone slowed to 0.4% in the first quarter, compared with 0.7% in the previous quarter. In Japan, the economy contracted by 0.2%, ending two years of positive growth. The US economy lost some steam; data released by the Bureau of Economic Analysis, revealed US GDP rose at an annualised rate of 2.3% in Q1 2018, a significant slowdown from the annualised 2.9% expansion witnessed across Q4 2017.

Healthy prospects for the year ahead

Despite this loss of momentum, prospects across the global economy for the year ahead are relatively healthy. The first quarter slowdown is widely expected to represent a temporary blip rather than a sign of more deep-rooted economic problems. The fundamentals of the global economy appear to be relatively robust and there are signs that the major advanced economies are likely to see a rebound in growth over the coming months.

Forecasts upgraded

The IMF feel the global economic upswing that began around mid-2016 has become broader and stronger, and that advanced economies will continue to expand above their potential growth rate this year and next. They predict global economic growth of 3.9% in 2018 and 2019, with the economy supported by favourable market sentiment, accommodative financial conditions, and the domestic and international repercussions of the expansionary US fiscal policy.

Trouble ahead?

An area of concern the IMF have highlighted, is protectionism and the prospect of a trade war, with a warning that economic performance could be impacted by increased trade barriers. Fears of a stronger and longer period of monetary tightening have also abated in recent months, with the first quarter slowdown halting the need for imminent increases in interest rates in the UK. The Federal Reserve are expected to be more aggressive with markets predicting four rate increases across 2018, as Fed officials become mindful of a build-up in inflationary pressures.

Time for good cheer?

While there are economic dangers lurking ahead with a resurgence of inflationary pressures, Brexit uncertainties, political turmoil and setbacks in trade talks all possible, at the moment, there does appear to be some room for optimism when it comes to global economic prospects.

Is drawdown right for you?

Since pension reforms were introduced, an increasing number of retirees have chosen to take flexible withdrawals from their pension. According to the Financial Conduct Authority, drawdown has become an increasingly popular option, with twice as many pension pots moving into drawdown than into annuities.

In basic terms, income drawdown is where you withdraw money from your pension pot on a regular basis to provide an income for your retirement. By leaving your pension pot invested and taking an income directly from it, you don't need to use the money in your pot to buy an annuity. As the rest of your pension pot remains invested, it will continue to benefit from any investment growth.

Take time to fully understand the risks

Whilst drawdown offers flexibility, there are risks that you need to consider. The amount you could draw as income is not guaranteed, unlike an annuity. As your pension fund remains invested, it is vulnerable to price fluctuations, making it increasingly important to take advice. Without advice, you could find your income level drops, you could run the risk of running out of money – not a desirable retirement outcome.

The value of advice

In drawdown, there are risks in taking out too much and too little. This is where advice will help you plan your drawdown strategy and guarantee that it's reviewed regularly. Taking out too much could have tax implications and restrict your remaining pension pot's ability to provide an income for the duration of your retirement. If you draw too little you might not have sufficient to cover your living expenses.

Whilst drawdown offers flexibility, there are risks that you need to consider. The amount you could draw as income is not guaranteed, unlike an annuity.

Even though it's no longer compulsory to take an annuity at retirement, they still offer valuable benefits. You may choose to put a portion of your pension pot into an annuity to provide a regular guaranteed amount for the rest of your life, to cover your core living costs for example.

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DIVIDEND INCREASE FOR GLOBAL SHAREHOLDERS

In a demonstration of rising corporate profitability, many shareholders saw an increase in dividends as global payouts hit a record high at the start of the year.

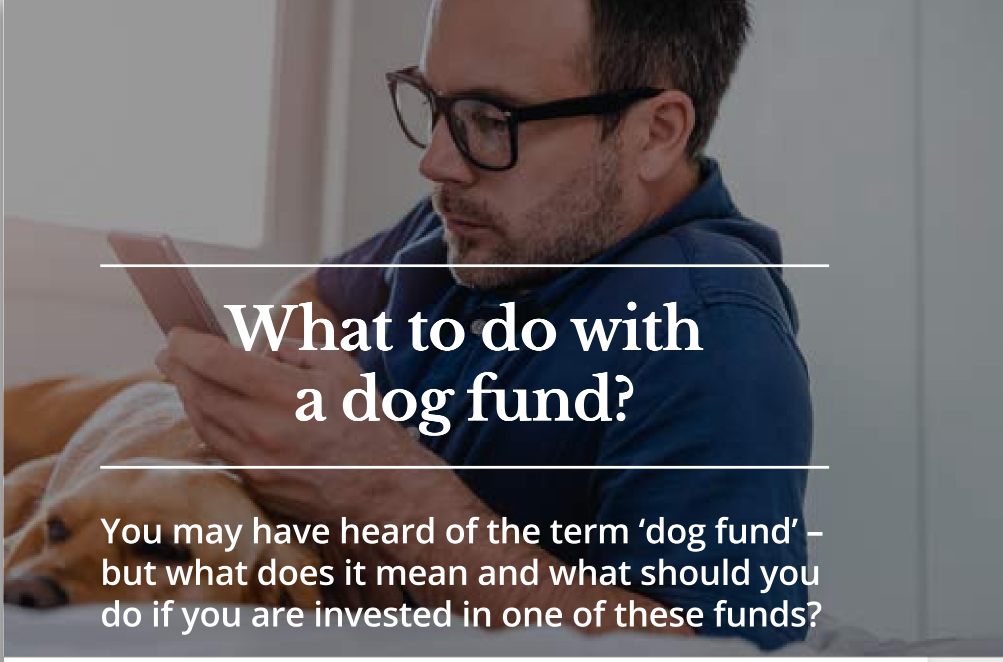
Investment firm Janus Henderson[1] revealed that global dividend payouts rose over 10% to $244.7bn, making it a record-breaking Q1 for shareholders across the globe. Dividend payments to shareholders in the UK in the first quarter of the year grew by over 21% to $18.7bn (£16.4bn) from $15.4bn (£13.5) in Q1 last year. This figure was elevated by a host of factors, including a hike in dividends by mining firms, a special dividend from Sky, the addition of new companies to the index and British American Tobacco's first quarterly dividend. Adjusted underlying growth, taking these factors into account, was a more modest 4.2%.

In the US, underlying dividend growth was 7.6%, boosted by President Trump's corporate tax cuts.

In the first three months of the year, dividend payments by US companies totalled $113bn, 5.2% higher than Q1 2017 payouts. Financial, healthcare and technology stocks recorded the highest growth. Shareholders have benefited as corporate profitability has risen and companies return some of the cash they have accumulated via dividends.

Dividend growth in Japan topped 8.2% (underlying basis), whilst Continental Europe registered dividend growth of 3.9%. The research forecasts global payouts will rise by 6% to $1.36tn this year.

[1]Janus Henderson, Global Dividend Index, May 2018



What to do with a dog fund?

You may have heard of the term 'dog fund' – but what does it mean and what should you do if you are invested in one of these funds?

The financial press regularly publish lists of 'dog funds', simply put this refers to a fund which is deemed to be poorly performing, usually underperforming the allocated benchmark by, say, 5% or more, over a set period of time.

All investment funds fall into sectors – for example, UK equity income, technology and telecommunications or global emerging markets. Classifying them under these headings means that it's easier to make comparisons. They can be compared both against each other and against the average performance for all the funds in that sector. If a fund is consistently showing as being below the sector average, then it can earn the 'dog' tag.

Keep your cool

What's really important to remember is that companies producing these lists aren't giving specific advice or recommendations and results are compiled using past performance, which isn't necessarily an indicator as to how the fund will perform in the future. Just because a fund may appear on this list doesn't mean it should be sold immediately, as funds that have historically underperformed could turn performance around. A fund management company may take action to improve performance by altering the investment strategy or by appointing a new fund manager with a strong track record elsewhere.

Also important to bear in mind is that some funds adopt styles that are out of favour with the markets, such as contrarian or value styles, but might come back in favour soon. Some managers are suited to tougher times, others to rising markets. Some funds focus on growth, others on income.

Rely on us to keep a close eye

Regular reviews are the key to ensuring your investments are still right for you. Keeping a close eye on the performance of your assets will mean that under-performing funds can be identified and, if necessary, changes made to your portfolio.

The value of investments and income from them may go down. You may not get back the original amount invested.

SIX MISTAKES PEOPLE MAKE ABOUT LIFE INSURANCE – AND WHY GETTING THE RIGHT COVER MATTERS

Sadly, many people get put off the idea of taking out an insurance policy for a variety of reasons, overlooking the valuable security and peace of mind that having the right cover in place can provide.

It will cost too much

The good news is that life insurance isn't nearly as expensive as many people assume. Making a monthly premium payment is a small price to pay. Having no insurance would cost your family considerably more, and could result in them struggling for money at a sad and difficult time.

I'm fit and healthy so don't need cover

The younger and fitter you are when you take out a policy, the cheaper the premiums are likely to be. If you wait until you're older and have health problems, your premiums will be higher.

It won't happen to me

It's estimated that 1 in 29[1] children will lose a parent before they finish full-time education. Unfortunately, accidents and illness can occur at any age, and no-one would want to risk leaving their family with money worries if disaster were to strike.

I'm a stay-at-home parent, I don't need cover

Just think of all the tasks you carry out. Everything from cleaning, cooking and childcare might have to be paid for if you weren't there; a payout from a policy could help provide the care your family needs.

I get cover through my job

You may get insurance as part of your employment package, but it may not be enough for your needs, and the chances are the policy won't move with you if you change jobs.

I just don't have the time to find a policy

That's where an adviser can really help. They can find a cost-effective policy that will meet your needs. What's more, if your life changes they're on hand to help ensure you always have the right protection policies in place.

[1]Childhood Bereavement Network

With private school fees topping £17,000, how can parents cover the cost?

With pupil numbers at their highest since records began in 1974, it's clear an independent education is the preferred choice for many families. Parents choose independent schooling for their children because they value the broad all-round education on offer, the high academic standards and the learning opportunities offered outside the classroom.

However, after buying a home, school fees could be a family's largest expense, especially if there are several children to put through school and college.

Planning pays

In order to put aside the money needed to cover fees, parents and other family members who want to help out can make use of their annual ISA allowance (£20,000 for the tax year 2018–19). Money invested in an ISA grows in a tax-free fund and can be withdrawn to meet fees without incurring tax.

Consider starting to save from the day the children are born, and encouraging family members to contribute to accounts. If there's more than ten years to go before schooling starts, then it's worth thinking about stock market investments. Your money will be exposed to risk, but has the potential to outstrip the returns available on an average savings account.

Increasingly, grandparents are helping out with education costs too. Many are choosing to pass wealth to their families during their lifetime as a way of reducing the

value of their estate for inheritance tax purposes, either by giving a lump sum or setting up a trust for the benefit of the child or children.

Scholarships and bursaries

Scholarships are not usually means-tested, but can reduce fees considerably. They are often awarded by schools for academic achievement, art, sports or music. Bursaries may also be available, but they tend to be means-tested.

If you're considering a child's education, we can help you plan effectively for the years ahead.

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How millennials are preparing for retirement – but will it be enough?

We can all be guilty of applying labels to age groups, and this can be particularly true when it comes to millennials. This group, which spans those aged 22 to 37, is commonly thought of as the generation that suffers most from the effects of rising house prices, student debt and a low-wage economy, all of which means that saving adequately for retirement assumes a low priority.

However, data from the Intergenerational Commission[1] shows that a decent pension ranks as the second biggest area of concern for young people's prospects, second only to housing.

Retirement planning starting earlier

Employers are now required to provide most of their employees with a workplace pension scheme, and auto-enrolment has been a great success in creating a new cohort of pension savers. This is particularly true among the younger age group, where participation levels have increased significantly.

However, it is vitally important that those being auto-enrolled into pension schemes for the first time do not consider it 'job done' and disengage from their savings. The advice to this and every age group is to ensure that they regularly review their pension plans to ensure they are saving enough. Life and pensions company Royal London has come up with a useful way to help workers get their pension savings on track. Everyone should remember to do their **SUMS**.

S*tart saving as soon as they can, no matter how small the amount*

U*p their pension contributions if they get a pay rise*

M*ax out on any employer pension contributions that are available to them*

S*peak to a financial adviser to get help with their pension planning.*

Keeping pension planning under review

Millennials have time on their side, but will need to think about contributing more than auto-enrolment provides. Hopefully, receiving regular pension statements from their workplace scheme will serve as a timely reminder to keep their pension planning under review.

[1]Intergenerational Commission, 2017

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Keep up the good work – the prevalence of the part-time pensioner

We know demographics are changing. We're living longer, quite alarmingly; the population of England is set to rise by around nine million by 2039[1], with almost two thirds of that increase occurring in the pension age bracket.

Not so long ago, many people's lives fell into three distinct stages – education, career and retirement. The date at which people chose to retire was usually aligned with their state retirement age; 60 for women and 65 for men. Today, retirement no longer means packing up your desk on your 60th or 65th birthday.

Step by step

Today, many people are choosing to adopt a more gradual approach to retirement, working beyond their state pension age, slowly reducing the amount of time they spend at work. Some people are even choosing completely different careers to embark upon.

A widely-accepted concept referred to as 'pretirement' is the process of gradually reducing the number of hours worked, which generally begins in people's 50s and can run into their 70s and beyond. Figures for the three month period December 2017 to February 2018, show that just under 1.2m people over the age of 65 were in work, and for the first time, there were more than 10m people aged over 50 in employment out of a total workforce of 32.2m[1].

Keep calm and carry on

People choose to adopt a 'pretirement' approach to working for a variety of reasons, including a requirement to boost their retirement income, continuing because they enjoy the work they do, they feel they still have something to offer their workplace.

Whatever your thoughts on the type of retirement you want, financial advice will ensure that you can make the best use of your pension funds and savings, to select the best retirement income solution for your circumstances. It's important to have the right retirement plans in place so that you can choose the path to full retirement that suits you.

[1]Office for National Statistics, 2016 and 2018

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WHAT IS ESG INVESTING?

Environmental, Social and Governance, ESG in short, refers to a subset of non-financial performance indicators, which encompass sustainable, ethical and governance issues. ESG factors can be used to evaluate corporate behaviour and to determine the long-term financial performance prospects of a company.

Increasingly, socially conscious investors are using ESG factors to screen potential investments. Environmental criteria look at how a company performs as a guardian for the environment, for example their impact on climate change or carbon emissions, water use or conservation efforts. Social criteria focus on a company's ability to manage relationships with its employees, clients, suppliers and the local communities in which it operates. Governance examines a company's leadership, shareholder rights, audits and internal controls, anti-corruption policies, board diversity, executive pay and human rights efforts, for example.

Many larger firms are beginning to track their ESG progress as ESG-minded business practices are gaining traction. In the financial services sector, firms such as Wells Fargo, JPMorgan Chase and Goldman Sachs have released annual reports reviewing their approaches to ESG.

Taking steps to protect the elderly from financial abuse

We know that the scammers are out in force and that although cold calling is to be banned, there are numerous other ways to be contacted. Scammers have turned their attention to targeting older people. Many of the crimes they commit involve the selling of bogus or unsuitable investments, or bank account fraud.

According to the Alzheimer's Society[1], the number of people in the UK living with dementia is expected to rise from 850,000 people today, to in excess of 1 million by 2025. The advice from charities caring for the elderly is that everyone should plan for a time when they might not be able to make important decisions about their finances or welfare.

Helping the elderly with a Lasting Power of Attorney (LPA)

In the last ten years, LPAs have become much more common, helped by TV finance guru Martin Lewis, who although in his 40s, has taken steps to arrange one. He believes everyone should think about using LPAs to safeguard themselves and their families.

Designed to protect you if you lose the ability to make financial or care decisions, making an LPA allows you to choose someone you know and trust, your 'attorney', to make important decisions should you be unable to do so.

Your attorney(s) can be a relative or friend, your partner, or a professional adviser. Without an LPA in place, if you were to lose mental capacity, your friends and family wouldn't have the automatic legal right to step in and take decisions on your behalf. Instead, they would need to apply for Deputyship to the Court of Protection, an expensive and time-consuming process.

A simple step to protect your interests

With a Property and Financial Affairs LPA your attorney has the power to make decisions about money matters on your behalf if you are unable to do so. This includes financial transactions like running bank accounts, accessing and managing pensions and funds in drawdown, paying bills and selling property. A little forethought could prove hugely beneficial.

[1]Alzheimer's Society, Facts for the media, 2018

DON'T LET JARGON PUT YOU OFF SAVING FOR YOUR RETIREMENT

If you're feeling perplexed by pensions, here we explain a few commonly-used terms.

Defined benefit pension

A type of pension that pays a retirement income based on your salary and how long you've worked for your employer. Final salary pension schemes are probably the best-known type of defined benefit pension scheme – but many have now been phased out.

Defined contribution pension

With this type of pension, the idea is that you build up a pension pot based on contributions from you and your employer, plus any investment returns. You then use this money to provide yourself with an income when you retire.

Annuity

At retirement, you can choose to take some or all of your pension pot as an annuity, an insurance product that provides a guaranteed income for life. Annuities provide security, and unlike other retirement income products, with the exception of investment-linked annuities, you aren't exposed to stock market risk which could erode your income. However, should you die early, the residual value of the annuity dies with you; there is usually no return of capital to your estate, though a joint annuity will continue paying income to the survivor.

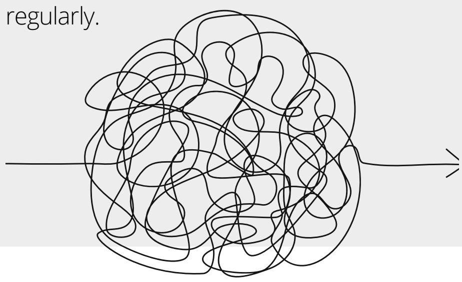
Income drawdown

This is a way of using money accumulated in your pension pot to provide you with a regular retirement income by reinvesting it in funds specially designed for this purpose. The income you will receive will vary depending on the fund's performance, and isn't guaranteed for life.

Pension tax relief

This is one of the biggest benefits of paying into a pension. For every £80 you pay in, the government gives an extra £20 in tax relief if you're a basic rate payer, boosting your contribution to £100. If you're a higher or additional rate taxpayer, you should be able to claim even more tax relief through your self-assessment tax return.

It makes sense to review your pension regularly.



Early retirement? It may soon be a thing of the past!

According to analysis by Aviva[1], the number of people retiring before they reach age 65 is set to continue decreasing rapidly. The insurer calculates that by 2035 almost no one will be able to afford to retire early.

Higher life expectancy, the demise of final salary pensions and a rising state pension age are contributing factors. Figures from the Office for National Statistics show a record 10.1 million over 50s remain in work, with 1.2m of these workers aged over 65. Ten years ago, less than 700,000 over-65s were in work. In 1998 the figure was much lower at 434,000.

Planning pays

Have you ever wondered if you're on track for a comfortable retirement? The stark reality is that putting something aside for old age has become an unavoidable necessity these days. As life expectancy rises, many of us can expect 45 years in employment followed by 30 years of retirement. No one wants to face financial worries in retirement, so keeping an eye on your pension throughout your working life makes good sense; even if retirement currently seems a lifetime away, it will come around quicker than you think.

You can keep focused on your retirement planning by:

- Arranging a regular review to ensure you're keeping your retirement savings on track
- Making pension saving a priority. Think about topping up your contributions whenever your financial circumstances permit; remember, within limits they attract valuable tax relief
- Knowing your state pension age and getting a forecast of how much you'll receive.

Workplace pensions

As part of the government's drive to ensure we all make adequate provision for retirement, employers are now obliged, subject to age and earnings thresholds, to automatically enrol their employees into a qualifying pension scheme, where employees and employers make monthly contributions. More younger workers than ever before are now saving for retirement and will receive regular statements enabling them to track their pension savings over the years.

Personal pensions

Personal pension plans also offer tax breaks to encourage us all to provide adequately for retirement.

If it's been a while since you looked at your pension, why not arrange a review?

[1]Aviva, 2017

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YOUR ISA – WHY SAVING EARLY IN THE YEAR MAKES SENSE

Many investors make a last-minute dash to put money into their ISA before the end of the tax year so that they don't lose their annual allowance. However, it makes good sense to invest into your ISA in the early months of the tax year, giving it extra months during which to grow, though growth in share values is not guaranteed.

The sooner you use your ISA allowance the higher the tax benefit. You'll be sheltering your investments from capital gains tax and income tax, and benefiting from tax-free returns for longer. You could also start to feel the effects of compound interest (which also apply to reinvested dividends); the eighth wonder of the world, according to Albert Einstein!

If you're concerned about the way shares can go up and down in response to political events and economic data, then you might want to consider investing a regular sum of money each month. That way, you will buy into funds at different prices and limit your exposure to stock market volatility. Over the course of the year, in some months you'll get more shares/units than in others for your chosen monthly investment.

The value of investments and income from them may go down. You may not get back the original amount invested.