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YOUR MONEY AUTUMN 2019

INSIDE THIS ISSUE

MIND THE PROTECTION GAP

Data from financial software firm IRESS has revealed a substantial difference in protection sums assured across the gender divide, raising concerns that women are at risk of being underinsured[1]. Although the gender pay gap means that a certain divide may be expected, IRESS confessed itself surprised by the extent of the differences.

Although the research reported the number of men and women taking out protection insurance to be broadly similar, the sums assured for each gender differed. For life and critical illness cover, the sums assured for men were found to be 50% higher. The disparity for critical illness cover was typically 90%, with the average male sum assured being £10,985 against £5,790 for their female counterparts.

DO YOU HAVE THE RIGHT COVER?

Protection cover should be a fundamental part of people's financial planning and needs to be regularly reviewed. If you are concerned that your level of cover may not be adequate, get in touch to review your protection needs.

[1]IRESS, July 2019

£450K PENSION POT NEEDED TO RETIRE WELL

Recent research[2] has shown that savers on an average salary need a pension pot of £447,000 to retire comfortably at the age of 65. This sum would fund their retirement until they were 100 years old, the research suggests.

THE SOONER THE BETTER…

The research also suggests that it will be easier to accumulate a pension pot of this size if you start saving as early as possible. While projections indicate that a 25-year-old would only need to put aside £235 per month to save this amount, a delay of ten years in starting would see this monthly contribution leap to £428. If a person were to only start saving at 45, they'd have to put away £859 monthly.

The differences between these figures really drive home the importance of starting to save for retirement as soon as is practicable – preferably when you first start work. Although it may sometimes be financially challenging to make regular contributions to your pension throughout your working life, doing so will offer you the best chance of living a retirement free of money worries.

…BUT IT'S NEVER TOO LATE!

While starting early is the ideal scenario, don't be disheartened if you've only managed to start saving later in life. Participating in auto-enrolment schemes, in which your employer contribution as well as taking advantage of pension tax reliefs, could both significantly boost your savings and make a real difference to you in retirement. Combined with the potential for investment growth, contributions made now could still see you enjoying better living standards in retirement.

PUT YOUR PENSION FIRST

When you first start work, retirement seems (quite literally) a lifetime away, but it comes around before you know it. So, getting to grips with your pension now will give you the best chance of a happy, prosperous retirement.

[2]AJ Bell, June 2019

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.

IN THE NEWS...

INTERGENERATIONAL GAINS

People under the age of 30 are spending 7% less on non-housing items, when compared with the same age group in 2001[3]. However, the spending of those over 65 has risen by 37%. The research highlights that the large gains in living standards previously experienced from one generation to the next are now 'less of a given'.

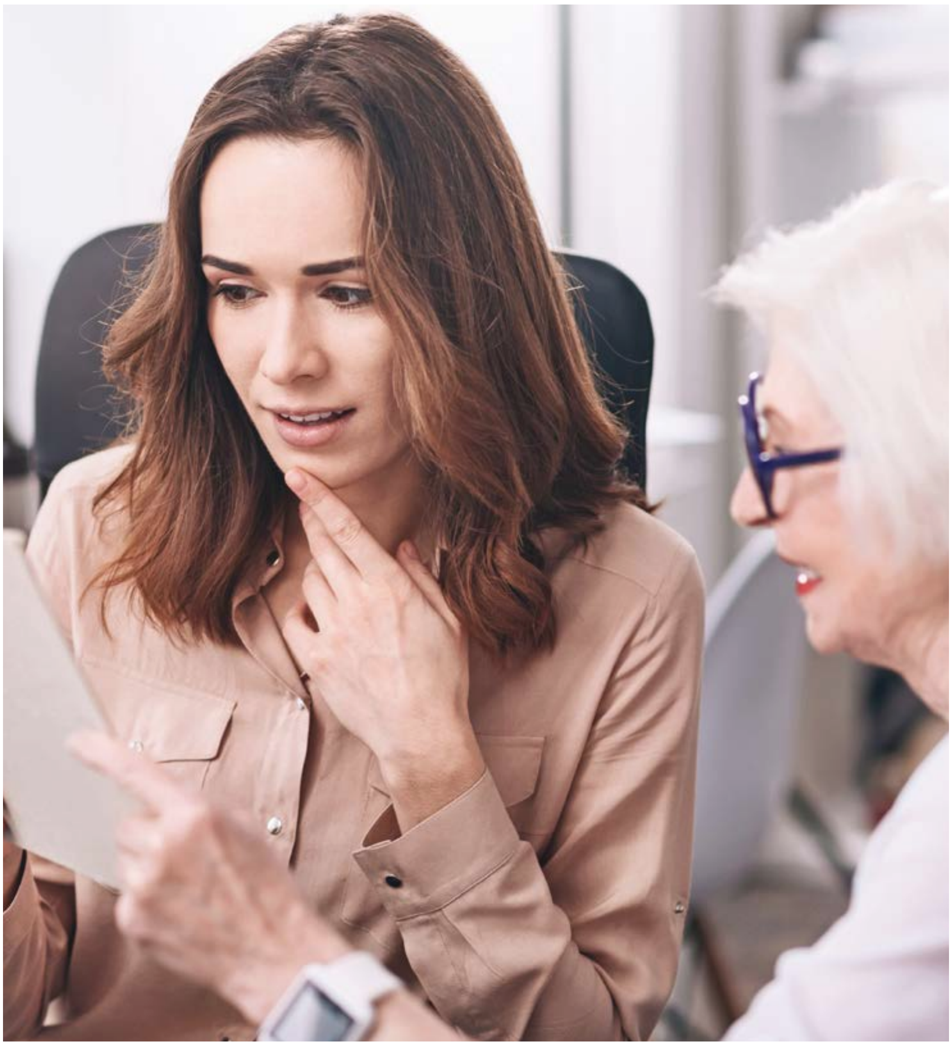
CREDIT CARD DEBT THROUGH THE ROOF

With lower interest rates fuelling a decade-long consumer borrowing binge, it's unsurprising that recent Bank of England figures detail UK credit card debt now standing at a record £72.9 billion. However, the data confirms that there has been a slowdown in the growth in borrowing, suggesting people have begun to moderate their spending.

IS CASHLESS KING?

The decline of free-to-use ATMs and continuation in bank branch closures have been key drivers in the rise of contactless payment. This trend continues to gain momentum, with church collection plates amongst the latest to adopt new payment technology.

[3]Resolution Foundation, June 2019



NEXT GEN FINANCIAL LESSONS

For many parents, the issue of passing money from one generation to the next can be tricky to contend with, especially when it comes to making sure children are prepared to shoulder the responsibility of handling family wealth. Although conversations about money can be uncomfortable for some, the crucial element to inspiring financial responsibility undeniably centres on education and communication.

SET THE WHEELS IN MOTION

Every family's dynamics and circumstances will differ. Typically, the best course of action is to begin the processes at an early age, by talking about a variety of age-appropriate topics to initiate the financial education process.

Initial discussions can focus on basic money management skills with reference to pocket money and introducing concepts such as 'saving' for school age children. As children move into further education, the emphasis will move to applying financial concepts such as budgeting and introducing other ideas, including investment principles.

GATHERING MOMENTUM

As your children embark upon their careers, they will quickly need advice and more in-depth knowledge on specific issues such as taxation, mortgages, pensions and Wills.

When they reach their forties, the final phase usually takes place, involving preparation for financial leadership. Discussions at this time need to be centred around the wealth-transfer process and future plans relating to the division of family assets.

KEEP TALKING

Today's youngsters face many financial challenges. This increasing burden of financial responsibility intensifies the need to make the transfer of family wealth as smooth and successful as possible.

INVESTMENT RISK AND VOLATILITY – KEEP CALM

If you're new to stock market investment, adjusting to a world where stock prices can rise and fall, often by a wide margin on just one day, can take a bit of getting used to and volatile markets can feel like an unsettling roller-coaster ride. So, what is the key to managing your investment portfolio during turbulent times?

KEEP A CLEAR HEAD

Investment requires a disciplined approach, and a degree of holding your nerve if markets drop. Investment professionals know that markets can be volatile and will inevitably go down as well as up from time to time. They know the worst investment strategy you can adopt is to jump in and out of the stock market, panic when prices fall and sell investments at the bottom of the market.

HAVE A PLAN IN PLACE

A well-defined investment plan, tailored to your goals, that takes into account your financial situation, your income requirements and your capital needs, can help you weather short-term fluctuations in markets. Market volatility is also a timely reminder to keep your investments under regular review, so that you can help ensure that you have the right exposure and weighting to different stocks in a variety of markets – UK and global. Your risk profile should be visited on a regular basis with us.

Much depends on your investment time horizon. Younger investors may be happy to invest in assets with a higher potential for growth, but those closer to or in retirement may want to opt for a more conservative approach that offers less risk and reduced volatility.

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

TOP TIPS

KEEP YOUR FINANCES HEALTHY WITH THESE TIPS

Take control of managing your finances with some practical tips that could really pay off in the long run.

KNOW YOUR MORTGAGE INTEREST RATE

If you're currently paying at your lender's standard variable rate, there could be a better deal out there. It pays to shop around, as your mortgage is likely to be your most significant outgoing and remortgaging could really make a difference to how much of your monthly income is available for discretionary spending.

KEEP PAYING INTO YOUR ISA

With the 2019-20 ISA allowance standing at £20,000, this is a perfect opportunity to get some tax-efficient savings under your belt. Different ISAs serve different requirements – we can help you pick the best one for you.

MAKE SURE YOU HAVE SUFFICIENT HOME CONTENTS COVER

Don't risk being underinsured – if your possessions are worth more than the sum insured, your insurance company may decrease your payout in the event of a claim (in addition to any agreed excess amount on your policy). Consider reassessing your cover and increasing it if you feel it no longer matches the value of your contents.

DON'T LOSE TRACK OF YOUR PENSION

Most people move jobs at least a few times during their lifetime and may have paid into several different pensions as a result. If you need advice on your entitlements and whether it may be beneficial to consolidate your pensions, we can help.

KNOW YOUR STATE PENSION AGE AND ENTITLEMENT

The government's website has a page where you can view a forecast of the state pension you're likely to get and when you'll be entitled to receive it, so check if you're not sure: https://www.gov.uk/check-state-pension

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JISAs – A POPULAR CHOICE FOR MANY

With intergenerational wealth planning high on many families' agendas, the popularity of Junior ISAs (JISA) continues to increase, as nearly 15% more plans were subscribed to in the 2017/18 tax year, when compared with the previous tax year – a significant increase for a product that has been around for almost eight years. The flexibility of the JISA to fit into financial plans may be attributable to some of this growth, as families look for different ways to cascade wealth down the generations.

NITTY GRITTY

An individual with parental responsibility for a child under 18 can set up a JISA. However, a huge positive is that anyone can pay into the JISA, including parents, grandparents and godparents, as long as the child's annual allowance of £4,368 (2019-20 tax year) is not exceeded. Grandparents making larger contributions to multiple JISAs need, in particular, to know that these are likely to be deemed potentially exempt transfers with Inheritance Tax implications.

Just like other types of ISA, if the subscription is not fully utilised in a tax year, there is no opportunity to carry forward unused subscriptions. With gains and income from investments and savings exempt from Income Tax and Capital Gains Tax, it's good news all round.

In normal circumstances, savings and investments held in a JISA cannot be accessed until the child reaches 18.

INFRASTRUCTURE INVESTMENT EXPLAINED

We're all familiar with the word 'infrastructure', the basic systems and services that a country needs to function, from the roads you drive on, the airports you travel to and from and the energy and communication networks that are essential for enabling productivity in any modern economy, but how can you invest in infrastructure?

Capital outlays for infrastructure projects can require vast sums of money, which is why governments have turned towards the private sector to help fund these projects.

Infrastructure is an asset class which has grown in popularity over the years. Infrastructure is generally regarded as a defensive asset class, which has a low correlation to other assets. Some companies and individuals choose to invest in infrastructure funds because of their defensive characteristics, such as funds involved in water infrastructure or transportation.

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

PRE-FAMILY FINANCIAL PLANNING

With a huge array of preparations to make when expecting a baby, you may understandably overlook those of a financial nature. While it may not be the most exciting task to tackle on your to-do list, it is really important to engage with your finances at this critical stage of life, so here are some top tips to help you on your way…

PLAN AHEAD

The cost of raising a child is expensive, and parents will typically find themselves having to meet these new costs on a significantly reduced household income. Childcare can be factored in and, for some, school fees will be a consideration. Comprehensive financial planning prior to the new arrival is therefore crucial.

KEEP CALM AND SAVE

By opening a savings account before you start a family, that you save into regularly, you will be able to amass funds required to cover initial expenses and to help finance the early months when most new parents take a hit to their income. It will also give you options, should you decide you want to take a longer maternity leave for example. In addition, by reducing outstanding debts, you can save money in the long run.

GROWING UP

As well as finding the money to meet the initial short-term costs associated when expanding your family, there are a number of other financial planning decisions to consider; for example, updating your Will, extra life protection, changing the named beneficiaries in your pension and opening new savings or investment accounts such as Junior ISAs.

REVIEW AND RELAX

If you are considering parenthood, it makes sense to review your finances to ensure a financially secure future for you and your whole family. Get in touch, we can help you.

IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.

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