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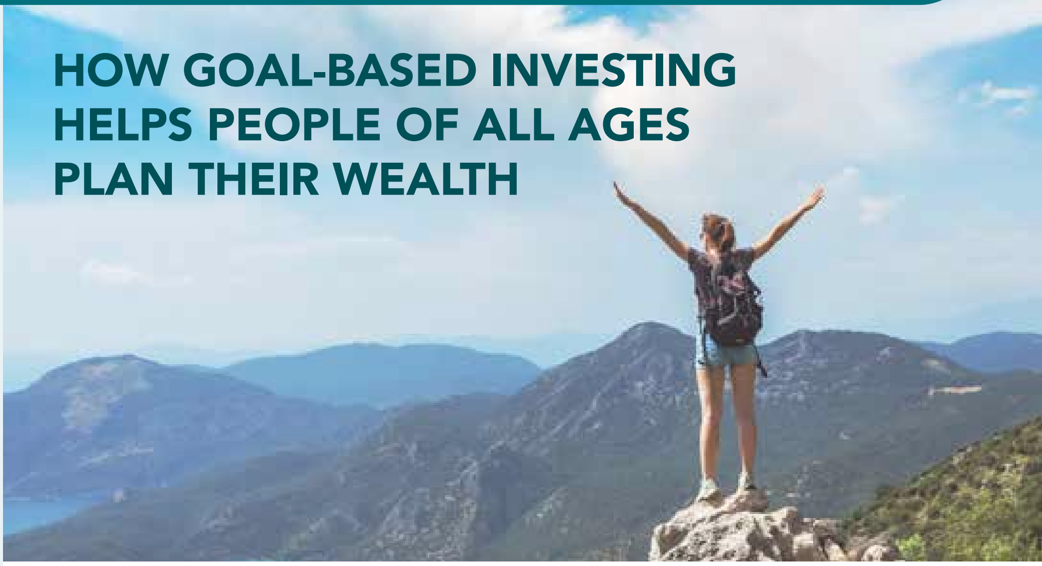
INSIDE THIS ISSUE

HOW GOAL-BASED INVESTING HELPS PEOPLE OF ALL AGES PLAN THEIR WEALTH



What do you want your wealth to achieve for you? Most of us will have a variety of financial goals that we are keen to pursue at different points in our lives. These can often include major life events such as putting down a deposit on a property, paying for school fees, a trip of a lifetime or being able to retire at a particular age.

DEFINING YOUR AIMS

Rather than simply viewing investing as getting the best possible return on your money, goal-based investing aims to help people meet their personal and lifestyle aims, whatever they may be, in a straightforward and simple way.

So, in order to adopt this approach, you need to think both short and long-term. For instance, for younger people, saving for a deposit is a shorter-term goal than investing for their retirement. A retired couple may be looking for an income stream to boost their pension but want to invest their capital over the longer term to ensure they have funds available for later life care.

HOW THE PROCESS WORKS

Being clear about your goals, and the time horizons in which you want to achieve them, is the first step in the process. By gathering this information, we can help you define the right level of savings and the most appropriate mix of funds to meet each of your needs. Risk will be a major consideration too. Each goal is likely to have a different risk tolerance and time horizon. Younger people who have several decades to go to retirement may feel comfortable with higher risks for their pension pot. Older investors who are keen to ensure their wealth lasts as long as they do, are likely to be more risk averse.

Your goals are likely to change over time, so it makes sense to have regular reviews with us so that we can ensure your investments continue to meet your needs.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

AUTO-ENROLMENT – GOOD NEWS FOR EMPLOYEES OF SMALLER FIRMS

The Institute for Fiscal Studies (IFS)[1] has been reviewing the pensions landscape and drawn some interesting conclusions about how auto-enrolment has changed the number of people saving into a pension. The scheme has been hailed an *"extraordinary success"*, by Minister for Pensions and Financial Inclusion, Guy Opperman.

The IFS estimates that before the advent of auto-enrolment, the number of small business employees saving for retirement was fewer than one in six; that figure has subsequently increased to seven in ten. With over a quarter of UK private sector employees working for a small business, this increase in participation really shows how the scheme is improving the pension prospects for millions.

[1]IFS, Mar 2019

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IN THE NEWS...

DIVORCED BRITS COUNT THE FINANCIAL COST

A recent survey[2] shows many find themselves struggling financially after divorce and some report regretting their decision to go it alone. Nearly half found themselves needing to work longer hours and some faced mounting debt.

Around 100,000 people divorce every year in England and Wales. According to the survey, 36% said they found managing their finances 'harder or more stressful' on their own.

PENSION WITHDRAWAL DOWN ON 2016 LEVELS

UK pensioners have withdrawn £25bn from their retirement savings under pension freedoms since April 2015, figures from HMRC reveal.

However, average pension freedoms withdrawals per person were £7,254 in Q1 2019, a slight decrease from £7,644 a year ago, but a significant drop from £11,081 in Q1 2016.

GENERATION X HEADS THE PENSION SAVINGS LEAGUE

Those aged 43 to 54, often referred to as Generation X, accounted for 43% of the UK's personal pension contributions according to HMRC data for the 2015–16 tax year, the latest year for which figures are available. But will it be enough? Although their average pension wealth was £70,400, experts estimate the figure should be around £187,400 at this stage in their working lives.

[2]Royal London, May 2019

SIMPLE LIFESTYLE CHANGES COULD HELP MILLENNIALS SAVE £10.5BN

With millennials often finding it hard to save, Barclays[3] has come up with some suggestions that could help them meet their financial goals.

Those who fear that this could mean giving up on nights out or regular treats, will be pleased to know that the solution could lie in making just a few simple swaps.

SPENDING PATTERNS

The survey outlined that millennials spend on average £3,312.72 a year on socialising with friends, eating out and takeaways. Three quarters of those who took part in the survey said they would be willing to make a few lifestyle changes if it would help them reach their financial goals, like a deposit for a home.

SMALL SWAPS

Suggested swaps included replacing every fifth takeaway with a home-cooked meal, having a regular night in rather than always going out, avoiding the coffee shop once in a while, and joining a local running club rather than paying for gym membership. It's estimated that these simple tactics could add up to a saving of around £600 a year or even more.

MONEY MANAGEMENT

Developing a savings habit and sticking to it requires discipline. That's why many people find that if they adopt the principle of 'paying themselves first' they manage much better. When they get paid, money is automatically transferred into their savings account on the same day, helping to remove the temptation to spend.

Thinking long and hard before making purchases can also work. Asking yourself questions such as *"Do I really need it? What impact will it have on my savings goal? Can I get the same thing much cheaper by shopping around or buying second-hand?"* can all act as a wake-up call that will help keep expenditure under control.

THE BENEFITS OF ISAs

For those looking to save and get tax breaks, ISAs are a great solution. The annual allowance is £20,000. Contributions into a pension attract tax relief too.

[3]Barclays, Feb 2019

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INVESTMENT: DON'T BE PUT OFF BY THE JARGON

You aren't alone if you find it difficult to get to grips with some of the words and phrases that are often used to describe different aspects of investment. Here we look at a few terms that might be new to you.

ASSET ALLOCATION

This is the process of apportioning your portfolio across different investment categories. There are four main types of assets – cash, equities, bonds and property. The theory is that by diversifying, having a mix of these asset classes, an investor can lessen their risk, which in simple terms means they'll do better by not putting all their eggs in one basket.

DIVIDENDS

These are payments made by companies to their shareholders and represent the shareholder's portion of the company's annual profits. People buy equities or shares in companies not just in the hope of making a return by selling them at a higher price in the future, but also because they receive a regular income from them, though a company may reduce or even suspend its dividends if under financial pressure.

EMERGING MARKETS

These are economies in developing countries around the world that experts predict have good growth prospects for the future. Brazil, China, India, Mexico, South Africa and Russia are examples of emerging or developing markets.

PORTFOLIO REBALANCING

Over time, certain investments in your portfolio are likely to perform better than others, which could mean that it's no longer suitably apportioned to meet your needs. Rebalancing is the process of reviewing your portfolio and adjusting it in line with your investment goals and the level of risk you are comfortable with.

HOW YOU COULD GIVE YOUR CHILD A RETIREMENT WINDFALL

Setting up a pension plan for your child and putting £2,880 in each year will help give them a wealthier retirement. Current pension rules allow a parent to contribute up to £2,880 for a child under 18. Tax relief means that this figure is topped up to £3,600.

If the parent starts making annual contributions when the child is born and continues until they are aged 18, then this would add up to £52,000, and under current rules this would be topped up by around £13,000 in tax relief.

OTHER SAVINGS OPTIONS

For parents who want to give their offspring money earlier, they can save up to £4,368 tax-free in a Junior ISA in the 2019-20 tax year. Invested in a medium-risk fund this could be worth up to £110,000[4] by the time they reach 18, if you paid in £364 a month for 18 years, although as the value of investments fluctuates, this may not be the case. Income and gains on the money saved are tax-free. If you're unable to afford the full subscription each tax year, small regular sums build up over time too.

Assuming growth in investments over the period, your child could have a sizable pension pot and ISA fund to draw upon, the spending power of which will depend on the passage of inflation over the intervening years.

[4]Which?, 2019

ARE YOU LEAVING YOUR PENSION TO THE RIGHT PEOPLE?

When you take out a pension plan, you will be asked who should receive your pension benefits in the event of your death.

A pension nomination form allows anyone in a pension scheme to stipulate who they want to inherit their pension on their death; it's often referred to as a 'pension will'. If it isn't completed, or you don't update it if your personal circumstances change, there's a risk your pension could be paid to the wrong person, for example an ex-partner.

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GOOD NEWS – MORE PEOPLE ARE PUTTING PROTECTION POLICIES IN PLACE

New figures from technology provider Iress[5], show income protection sales via its software increased 50% in the first quarter of the year. This is heartening news and shows that more people are aware that they need to protect their financial future by putting plans in place that could be a lifeline if the unexpected should occur.

INCOME PROTECTION POLICIES

Whilst you might have enough funds to tide you over for a short time, you could soon find that paying the household bills was a struggle. These policies are designed to pay out if you're not able to work and earn money due to illness or injury, and, in some cases, forced unemployment.

The maximum amount you can claim is usually your net monthly earnings after tax, minus any state benefits you may receive. This could be around 65% of your gross earnings and it's usually tax-free.

Policies pay out following your chosen deferred period, typically between four and 52 weeks, and can continue until you return to work, or the policy expires at the end of a fixed period.

[5] Iress, 2019

NUDGE NUDGE, SAVE SAVE

A 'nudge' is a form of psychological technique that can influence the way we all behave. A good recent example of this is the introduction of auto-enrolment pensions.

In order to increase the number of UK workers who were saving into a pension scheme, the government made it compulsory for employers to have a pension scheme that their workers were automatically placed in. Employees' contributions were to be deducted from their pay packets unless they formally requested to be exempted and thus also miss out on the employer's contribution. This made the decision to save for retirement much easier for workers to make, and as a result pension scheme membership has been steadily nudged up to over ten million people.

TECHNOLOGICAL PROMPTS

A recent report from the BBC shows that technology can play a role in encouraging us all to save. Apps can load up pictures of savings goals, like a car or a first home, to a user's mobile phone. Then, as you save more towards your goal, the image becomes clearer. If you withdraw money, the picture starts to disappear.

Visual prompts like this are a very effective way of helping people to save more for the future; who knows what's around the corner?

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HAPPY 20TH BIRTHDAY TO THE ISA

Over the years, an ISA has had a key role to play in financial planning, providing a welcome opportunity to save or invest tax-efficiently every year. It's estimated that around 42% of adults[6] have one.

At launch in April 1999, the annual allowance for an ISA was just £7,000. It's risen steadily over the intervening years and today stands at a generous £20,000. Those who were early adopters and maximised each year's allowance could by now have put around £206,000 into these tax-sheltered accounts.

MORE CHOICE ON OFFER

At launch, you could choose a cash ISA or a stocks and shares ISA, amongst other variations. Since then, more types of ISA have been added. There's a Junior ISA for children, the Help to Buy ISA designed to help first-time buyers, and the Lifetime ISA which can be used to build up a deposit for a home, or as a longer-term savings vehicle that can help provide funds in retirement.

DON'T DELAY, SAVE TODAY

If you're planning to use your ISA allowance this tax year, it makes sense to start as soon as possible to potentially give your money more time to grow.

[6] ONS, April 2019

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