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55 Old Broad Street, London, EC2M 1RX Telephone: 020 3755 5068 Fax: 020 7997 6100
Website: www.absolutefinance.eu Email: info@absolutefinance.eu

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JANUARY / FEBRUARY 2019

PLAN, PREPARE

MAKING NEW YEAR'S TAX SAVING RESOLUTIONS

EXPLORING YOUR ISA OPTIONS
Time to give your financial future a boost?

KEEPING IT IN THE FAMILY
Careful planning can reduce or even eliminate the Inheritance Tax payable

FOR THE LIFE YOU WANT
Building up your nest egg is more discipline than difficult

STATE PENSION
Move to equalise male and female pension ages

Contact us on:
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EXPERIENCE
LIFE TO THE FULL

In this new year edition, the start of 2019 is the optimum time when you may be thinking about resolutions and plans for the year ahead and beyond. It's a good time to start planning our tax affairs before the end of the tax year on 5 April. And as you think about 2019 and your goals for the new year, we'll help to start you off on the right financial footing. Turn to page 04 to find out more.

As part of our continuing look at tax-efficient saving and investing, on page 06, we shine a spotlight on some of the different options available. Whether you consider yourself a savvy investor or a financial novice – and no matter what, why or how you want to save and invest – an Individual Savings Account (ISA) could help make your money work harder for you.

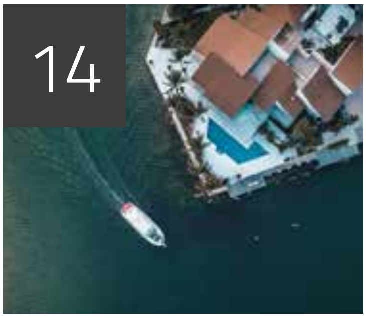
You may want to keep an element of control when passing on your assets. You may want your money to be used for a particular reason, such as paying for school or university fees or for a first property deposit. Or you may just want to make sure your money stays within the family. On page 11, we explain how intergenerational planning will help.

Plus, women will now start to qualify for the State Pension at the same age as men, currently set at 65. On page 23, we look at how the move to equalise male and female pension ages began 25 years ago and has been gradually phased in.

We hope you enjoy this latest edition and find it valuable. A full list of the articles featured in this issue appears opposite – we hope you enjoy them.

START OFF THE NEW YEAR BY REVIEWING YOUR FINANCIAL PLANS

A financial plan can help you balance your everyday needs against your long-term goals and enhance the probability of a secure retirement. What's more, it can introduce you to a means to help achieve a retirement income you cannot outlive, as well as help you plan to create a lasting legacy. If you would like to start off the new year by reviewing your financial plans, please contact us.



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 MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

CONTENTS

PLAN, PREPARE

MAKING NEW YEAR'S TAX SAVING RESOLUTIONS

At this time of year, we think about New Year's resolutions, and it's also a good time to start planning our tax affairs before the end of the tax year on 5 April. As you think about 2019 and your goals for the coming year, we can help to start you off on the right financial footing. It's well worth spending some time in January to think about your money so you can achieve your goals as quickly as possible.

Tax planning might not sound very exciting, but it can have a dramatic effect on your personal finances. The Government and HM Revenue & Customs (HMRC) continue to clamp down on what they regard as tax avoidance and unacceptable tax planning. But there is still much that can legitimately be done to save or reduce tax.

MEETING YOUR FINANCIAL GOALS

Tax planning is one part of meeting your financial goals. By taking action now, it may give you the opportunity to take advantage of appropriate reliefs, allowances and exemptions, and consider whether there are any relevant decisions that you need to make sooner rather than later. Many of the tax and investment planning opportunities available require action to be taken before 5 April 2019.

While some people avoid making New Year's resolutions for fear that they will only break them, people who make financial New Year's resolutions are more likely to end 2019 in better financial shape than when they began.

READY TO PUT THE TIPS INTO ACTION?

Here we've provided some of the main areas you may wish to discuss with us, if appropriate to your particular situation.

TOPPING UP YOUR PENSION

Pensions are now more flexible than they have ever been and remain extremely tax-efficient. You'll receive tax relief at the basic rate of 20% on contributions made to personal and workplace pensions. So for every £80 you pay in, HMRC will top it up to £100. If you're a higher or additional rate taxpayer, you can claim back up to an additional 20% or 25% through your self-assessment tax return. However, if you are a Scottish taxpayer, the tax relief you will be entitled to will be at the Scottish Rate of Income Tax, which may differ from the rest of the UK.

But you'll need to watch out for the annual pension allowance. This is the limit on the amount that can be contributed to your pension each year while still getting tax relief. For the 2018/19 tax year, for most people it's

ONE OF THE EASIEST WAYS TO REDUCE YOUR TAX BILL IS TO SHELTER ANY RETURNS ABOVE YOUR ALLOWANCES IN AN INDIVIDUAL SAVINGS ACCOUNT (ISA), WHICH IS A TAX-EFFICIENT WRAPPER.

£40,000, or the value of your whole earnings – whichever is lower. Lower allowances may apply if you have already started drawing a pension, or if you are a higher earner with income plus pension contributions that total above £150,000.

If you've used your full allowance in the current tax year but not in recent years, you may also (depending on your circumstances) be able to 'carry forward' any annual allowance that you haven't taken advantage of in the three previous tax years. There's also the Lifetime Allowance to consider. If the value of all your pensions is more than £1,030,000, anything over this limit will be taxed when you start using it.

The value of pensions can go down as well as up, and you may not get back as much as you put in.

TAKING YOUR ISA TO THE MAX

One of the easiest ways to reduce your tax bill is to shelter any returns above your allowances in an Individual Savings Account (ISA), which is a tax-efficient wrapper. For the 2018/19 tax year, you can put up to £20,000 into an ISA. For a couple with two children, the total ISA allowance available to the family is £48,520, which comprises £20,000 for each adult plus £4,260 of Junior ISA allowance per child.

You can choose to hold all of that in a Cash ISA, or put it into a combination of investments, including funds, shares, gilts and bonds through a Stocks & Shares ISA, or you can invest in peer-to-peer lending through an Innovative Finance ISA. Alternatively, you can split your allowance between a Cash, Stocks & Shares, Innovative Finance and Lifetime ISA. (LISA)

However, with a LISA, you can only allocate up to £4,000 of your £20,000 allowance. You also must be aged between 18 and 39 when you start and can deposit up to £4,000 per year until your 50th birthday. The Government will add an annual bonus of 25% (up to a maximum of £1,000 per year) to any savings.

The principle purpose of a LISA is for the proceeds to be used to either (a) purchase a first home or (b) provide you with funds to help you in your retirement after you have attained age 60. This means that, if the money is withdrawn for any other purpose (and unless the saver is in serious ill health), the 25% government bonus will be withdrawn, and the proceeds will also incur a 5% charge.

You won't be taxed on returns from savings or investments held in an ISA, nor will you have to pay Capital Gains Tax (CGT) on any of the profits you make above the annual CGT allowance, which in the 2018/19 tax year is £11,700. The standard CGT rate is 10%, while the higher rate is 20%.

GETTING PERSONAL WITH YOUR ALLOWANCE

Everyone has a certain amount of income they can earn each year without paying Income Tax, known as their 'personal allowance'. For the 2018/19 tax year, this amount is £11,850.

Your personal allowance is in addition to the Personal Savings Allowance (PSA). Since April 2016, savings interest has been paid tax-free, which means that most savers no longer have to pay Income Tax on the savings income they receive.

Your PSA depends on which Income Tax band you are in, with basic rate taxpayers entitled to a £1,000 allowance, while higher rate taxpayers receive a £500 allowance. Additional rate taxpayers are not eligible for a PSA.

Investors also have a dividend allowance, which means that individuals receive their first £2,000 in dividends tax-free, but any dividends above this amount will be charged at 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

Take advantage of your marriage vows. If one spouse is a higher rate or additional rate taxpayer and the other doesn't pay tax at all, it could be more tax-efficient to put the account solely in the non-taxpayer's name. This would give that spouse full ownership of the account, so you'll need to make sure you're both happy with the arrangement.

KEEPING YOUR INHERITANCE IN THE FAMILY

ISAs and pensions are the two big ways to shelter your money from tax, but there are other tools at your disposal. Your estate is valued when you pass away and chargeable to Inheritance Tax (IHT) at 40%, although the first £325,000 nil-rate band (NRB) is exempt. Anything that goes to your spouse is also exempt.

Married couples and those in registered civil partnerships can also benefit from an additional family home allowance, which makes it easier to pass on the family home to direct descendants without incurring IHT charges. This was introduced on 6 April 2017, starting at £100,000, and will be phased in gradually until the total IHT threshold reaches £500,000 per person in 2020/21.

The residence nil-rate band (RNRB) acts as a top-up to the current IHT NRB and works in a similar manner by reducing the value of your estate that is subject to IHT at the full rate of 40%. It is potentially available for deaths on or after 6 April 2017 where, in general terms, an interest in the family home is left under your Will to your children, grandchildren or other lineal descendants. The RNRB is offset against the value of your estate ahead of the NRB, and the maximum RNRB amount allowed on a death in the 2018/19 tax year is £125,000.

Current tax rules also enable you to give away up to £3,000 free of IHT each tax year. You can give away more than this amount if you want to, but you must live for at least seven years from the date of the gift for it to be exempt from IHT.

DON'T LEAVE YOUR TAX RETURN UNTIL THE LAST MINUTE

The deadline to submit your tax return online is 31 January. Failure to meet the HMRC deadline can result in penalty fines or extra interest charges. ◀

TAKING CONTROL OF YOUR FINANCES

Setting resolutions at the beginning of a new year can help you reach short- and long-term goals and even improve the way you feel. Taking control of your finances is a great feeling, so if you would like to discuss any aspects of your financial plans, please speak to us – we look forward to hearing from you.

EXPLORING YOUR **ISA OPTIONS**

TIME TO GIVE YOUR FINANCIAL FUTURE A BOOST?

The end of the tax year on 5 April is fast approaching, so make sure you've made the most of your annual allowances before it's too late. No matter what, why or how you want to save and invest, an Individual Savings Account (ISA) could help make your money work harder for you.

ISAs are tax-efficient wrappers. Every tax year, we each have an annual ISA allowance. If you don't take full advantage of using all or part of it in one tax year, you cannot carry it over to the next.

There are various tax advantages to saving or investing through an ISA: you don't pay Capital Gains Tax on any capital growth nor Income Tax on any income received, either as interest or dividends, from the investment or cash savings. Another advantage is that you don't have to declare ISAs on your tax return.

TYPES OF ISA AND THEIR ALLOWANCES

There are currently six different types of ISA.

CASH ISA

Anyone over the age of 16 can put their cash savings into a Cash ISA. Accounts can be either instant access, have notice periods or have fixed terms.

The annual allowance for a Cash ISA is £20,000 (tax year 2018/19). You can invest up to this full amount in your Cash ISA, or you can share this allowance between the different types of ISA, with the exception of the Help to Buy ISA.

STOCKS & SHARES ISA

A Stocks & Shares ISA is a medium-to-long-term investment (five years or more). Anyone over the age of 18 can put individual shares or managed funds into a Stocks & Shares ISA. It enables you to decide how much risk you are prepared to take when investing, offering access to a range of funds and the potential for better returns than a Cash ISA over the long term.

The annual allowance for a Stocks & Shares ISA is £20,000 (tax year 2018/19). Again, you can invest up to this full amount in your Stocks & Shares ISA, or you can share it between the other types of ISA.

INNOVATIVE FINANCE ISA

This ISA is for investments in peer-to-peer lending platforms. You must be over the age of 18 to invest.

The annual allowance for an Innovative Finance ISA is £20,000 (tax year 2018/19). Once again, you can invest up to this full amount in your Innovative Finance ISA, or you can spread it out between various types of ISA.

HELP TO BUY ISA

Help to Buy ISAs are available to each first-time buyer, not each home. This ISA has been introduced to help first-time buyers over the age of 18 get on the property ladder. You have to choose between either a Cash ISA or a Help to Buy ISA, but you can have a Help to Buy and a Stocks & Shares ISA in the same tax year.

The Government will top up any contributions you make by 25%, up to the contribution limit of £12,000. So, for every £200 you save, the Government will contribute £50. This means you can earn a maximum of £3,000 from the Government. So, if you're buying a property with your partner, for example, you'll be able to get up to £6,000 towards your deposit.

The minimum amount you need to save to qualify for a government bonus is £1,600 (which gives you a £400 bonus). You can start off your ISA with an initial deposit of up to £1,000, which also qualifies for the 25% boost from the Government.

Another important factor is that the proceeds can only be used to buy a property worth up to £250,000 outside of London, and up to £450,000 within London.

LIFETIME ISA

The Lifetime ISA is similar to the Help to Buy ISA. It is designed to help investors between the ages of 18 and 39 save for either a first house purchase or their retirement. Once you have a Lifetime ISA, you can continue to contribute until the age of 50.

You can put a maximum of £4,000 into a Lifetime ISA each tax year and are paid a 25% bonus from the Government. The bonus is paid in monthly instalments, and the maximum bonus you can earn in a tax year is £1,000.

The amount you pay in is linked to your annual ISA allowance (£20,000 for 2018/19). For example, if you pay £1,000 into your Lifetime ISA, you can still pay £19,000 into other ISA products. It is possible to hold both a Help to Buy ISA and a Lifetime ISA, but you will not be able to use both bonuses for a first-time house purchase.

Another differentiator between this type of ISA and the Help to Buy ISA is that the proceeds can be used to purchase a property worth up to £450,000 regardless of its location.

JUNIOR ISA

Cash or investments can be wrapped in this ISA on behalf of children under the age of 18. Anyone can invest in the Junior ISA – parents, grandparents or friends. The money belongs to the child, and they can access it when they reach 18 years of age. The Junior ISA has an annual allowance of £4,260 (tax year 2018/19). You must be a UK resident or crown employee to invest in any type of ISA. ◀

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WHAT ARE YOUR SAVINGS AND INVESTMENT GOALS?

Saving and investing are not just about what you know but also who you are. Whether you consider yourself a savvy investor or a financial novice, if you would like to discuss the options available to you, please contact us.

07 RETIREMENT

PENSION UNLOCKING

TREASURY ENJOYING A TAX BONANZA FROM PENSION WITHDRAWALS

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.

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'). Whether you plan to retire fully, to cut back your hours gradually or to carry on working for longer, you can now decide when and how you use your pension and when you stop saving into it to fit with your particular retirement journey.

FLEXIBLE PAYMENTS

HM Revenue & Customs (HMRC) has published its update on flexible payments from pensions. This confirms that 585,000 withdrawals were made by 258,000 people in quarter 3 2018, with total withdrawals in this quarter of nearly £2 billion. In the three-and-a-half years of pension freedoms, nearly 5 million withdrawals have been made by over 1.3 million people, totalling £21.6 billion (April 2015–October 2018).

You can use your existing pension pot to take cash as and when you need it and leave the rest untouched where it can continue to grow tax-free. For each cash withdrawal, normally the first 25% (quarter) is tax-free, and the rest counts as taxable income. There might be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year.

MULTIPLE WITHDRAWALS

Withdrawing money from pensions following the introduction of the freedoms shows no signs of abating. Quite the opposite, in fact, as the latest official figures show that the Treasury expects to receive an additional £400 million[1] in tax receipts from flexible pension withdrawals this year. Cashing in your pension pot will not give you a secure retirement income, and you should obtain professional advice if you are considering this option.

The findings show that typically smaller pensions are being fully withdrawn, while people with larger pensions are making multiple withdrawals in a tax year, suggesting they are treating their pension more like a bank account. These pensions are also being accessed for the first time before State Pension age. People accessing their cash also need to ensure they are not paying more tax than they need to.

TAX BONANZA

This combination of taking multiple withdrawals in a tax year at earlier ages, when people are still likely to be earning income from work, means many people are likely to be paying more tax than if they took withdrawals more gradually. The Treasury is enjoying a tax bonanza, as predictions that paying Income Tax would be a natural brake on withdrawals hasn't stopped people simply taking the money.

HMRC also confirmed that around £38 million has been refunded in overpaid tax following the application of emergency tax rules on pension withdrawals in the last quarter (1 July–30 September 2018), as many people continue to overpay at the point of withdrawal. ◀

TAKING CONTROL OF YOUR FINANCIAL FUTURE

Retirement is very much in the control of the individual. The money saved now will be in your hands in the future, so now is the time to start making active choices that will help to achieve your retirement dreams. To review your situation, 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.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. 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.

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Source data:

[1] HMRC Pension schemes newsletter 104 for October 2018.

FOR THE LIFE YOU WANT

BUILDING UP YOUR NEST EGG IS MORE DISCIPLINE THAN DIFFICULT

For today's retirees, retirement has changed almost beyond recognition since their parents' day. Building a retirement fund requires saving enough money to pay your bills and continue living comfortably when you are no longer drawing an income.

'INVESTING FOR GROWTH IS SUITED TO THOSE WHO WANT TO GET A HEAD START ON A RETIREMENT NEST EGG BUT WON'T BE RETIRING UNTIL FURTHER INTO THE FUTURE.'

The thought of it may be daunting; it can feel like an impossible mission. But with early planning, building up your nest egg is more discipline than difficult. The process of building a retirement fund typically involves a combination of consistent saving and long-term investments. But first, you have to figure out how much you need in order to set a goal.

FUNDS TO LIVE LIFE TO THE FULL IN RETIREMENT

Retirement is an exciting period in life. You might be looking forward to taking a trip to somewhere you've always wanted to go, dedicating more time to a favourite hobby or spending more time with family and friends. However, many people feel concerned about not having the funds to live life to the full in retirement.

Making sure you have enough money to enjoy your retirement is a matter of sensible planning and being proactive. Ask yourself, what decisions can I make today to start preparing for retirement? Investing even small amounts of money on a regular basis in preparation for retirement could leave you with a larger nest egg.

HEAD START ON A RETIREMENT NEST EGG

Investing for growth is suited to those who want to get a head start on a retirement nest egg but won't be retiring until further into the future. If your goal is to invest for growth, this means that you are more focused on growing your initial investment over a medium-to-long period of time (five years plus) and do not intend to use the investment to boost your current monthly income. For those investing for growth, investing as far in advance as possible from when they plan to start withdrawing the investment should give their funds the best chance of maximum growth.

INVESTING FOR INCOME

This investment goal is designed to generate a bit of extra money now and in the future by providing a boost to your monthly income. This goal could be suitable for those closer to retirement who are looking for their investment to help with paying regular bills and outgoings in retirement. When investing for income, selecting investment trusts focused on asset classes including equities and commercial property can provide a reliable and attractive income boost.

A TIME WHEN YOU HAVE STOPPED WORKING

Setting up a retirement goal requires you to find out how much income you'll need when you have stopped working. As part of the planning process, you'll need to consider answers to questions such as: 'At what age do you plan to retire?', 'How many years should you plan to be in retirement?' and 'What is your desired monthly income during retirement?'

Your retirement fund needs certainty – you can't risk losing your savings because you need it as a stable income. So how can one balance the need for growth with certainty of returns when building a retirement fund?

The key lies in considering a number of different factors:

RISK APPETITE

Are you a 'conservative' investor who cannot afford to lose the initial capital you put up? Can you sacrifice the certainty of having your investment protected in order to gain higher potential earnings?

If you do not already have a large sum of retirement savings, you probably shouldn't take too much risk when you invest since you may not have the luxury of time to recoup the losses should your investment turn awry.

TIMESCALES

Generally, a bigger portion of your retirement portfolio can be apportioned to higher-risk investments if you start in your twenties. As you progress nearer towards the retirement years, your portfolio should increasingly focus on investments that are a lower risk and provide more stable returns.

You can consider allocating your investments into products suitable for different investment horizons (short, medium and longer term) depending on your risk appetite. For example, a short-term investment can include some risker assets such as single equities or investing in a fast-growing speciality fund. You should always be reminded that with higher expected returns come higher risks.

INFLATION

If you choose to save your way to retirement by putting cash in a savings account, the value of your money may be eroded due to inflation. In order to ensure that the money you have now preserves its purchasing power during your retirement years, you need to choose savings or investments that give you higher returns above inflation.

DIVERSIFICATION

The key to growing your retirement fund includes having different asset classes in your portfolio, which is otherwise known as 'diversification'. Diversification not only helps you manage the risk of your investments, but it also involves re-balancing your portfolio to maintain the risk levels over time. ◀

BUILD YOUR RETIREMENT FUNDS

Planning for your retirement can seem like a daunting process. Keep in mind that there are no hard and fast formulas to how you build your retirement funds, but keeping the above factors in mind will definitely help you work towards achieving your retirement goals. Want to review how to enhance your retirement plans? Please contact us.

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LOOKING AT THE BIG RETIREMENT PICTURE

CONSIDERING MAKING CONTRIBUTIONS AHEAD OF THE TAX YEAR END?

Investing for the future is vital if you want to enjoy a financially secure retirement, and it requires you to look at the big picture. Although pensions can be complicated, we will help you get to grips with the rules if you are considering making contributions ahead of the tax year end. Here are our top pension tax tips.

ANNUAL AND LIFETIME LIMITS

Getting tax relief on pensions means some of your money that would have gone to the Government as tax goes into your pension instead. You can put as much as you want into your pension, but there are annual and lifetime limits on how much tax relief you receive on your pension contributions. Please note that if you are a Scottish taxpayer, the tax relief you will be entitled to will be at the Scottish Rate of Income Tax, which may differ from the rest of the UK.

Provided that you stay within your pension allowances, all pensions give you tax relief at the rate that you have paid on your contributions. For personal pensions, you receive tax relief at the basic rate of 20% inside the pension. That means for every £800 you pay in, HM Revenue & Customs (HMRC) will top it up to £1,000. If you're a higher or additional rate taxpayer, you can claim back up to an additional 20% or 25% on top of the 20% basic rate tax relief through your self-assessment tax return.

BENEFIT FROM TAX RELIEF

For workplace pensions, your employer normally takes your pension contribution directly from your salary before Income Tax so that the contribution is not taxed at source like the rest of your employment income, and therefore the full benefit is received inside your pension immediately. If your employer does not handle your contributions before tax, then these would benefit from tax relief in the same way as for a personal pension contribution.

You're still entitled to receive basic rate tax relief on pension contributions even if you don't pay tax. The maximum you can pay into your pension as a non-taxpayer is £2,880 a year, which is equivalent to a £3,600 contribution once you factor in tax relief.

TOTAL AMOUNT OF CONTRIBUTIONS

The annual allowance is a limit to the total amount of contributions that can be paid in to defined contribution pension schemes and the total amount of benefits that you can build up in a defined benefit pension scheme each year for tax relief purposes.

Taxpayers can pay in up to 100% of their income, up to an annual allowance of £40,000. Any contributions you make over this limit won't attract tax relief and will be added to your other income, being subject to Income Tax at the rate(s) that applies to you.

Your annual allowance will reduce from £40,000 if your income plus your pension contributions totals £150,000 or more. For every £2 in excess of £150,000, your allowance will reduce by £1, until it reaches a minimum allowance of £10,000.

CARRY FORWARD UNUSED ALLOWANCES

You can also carry forward unused allowances from the previous three years, as long as you were a member of a registered pension scheme during this period.

If you choose to take a taxable income from a personal pension other than via an annuity, your annual allowance will be reduced to £4,000 or 100% of earnings, whichever is lower, and you won't be able to carry forward previous unused allowances.

PAYING TAX ON THE EXCESS

As well as the annual allowance, there's also a maximum total amount you can hold within all your pension funds without having to pay extra tax when you withdraw money from them, known as the 'lifetime allowance'. The standard lifetime allowance is £1,030,000 (2018/19), but some people have a higher allowance. The standard lifetime allowance is inflation linked, so it's likely to increase each year.

If the value of your pension savings is higher than this, and you have not secured protection from HMRC against the changes in the lifetime allowance at the point that they reduced, you will pay tax on the excess. So, if you're approaching this limit, be careful about contributing too much.

There's no immediate tax charge once your pension fund grows beyond your lifetime allowance. It's only when you choose to take your pension benefits over your lifetime allowance that you pay a tax charge, and the charge only applies to the benefits taken over your allowance.

FREEDOMS GIVE GREATER FLEXIBILITY

Commencing 6 April 2015, under the new 'pension freedoms' rules, you can now access your savings from your defined contributions pension scheme once you reach age 55. You cannot make withdrawals from a pension before you're 55, moving to 56 in 2019 and 57 by 2028. If you're due to reach retirement this year, you could take up to 25% of your pension fund as a tax-free lump sum if you want to, but the remaining 75% will be liable to Income Tax.

Previously, most pensioners purchased an annuity with their pot, which paid a guaranteed income for life. The pension freedoms give greater flexibility over retirement funding. But you'll need to plan any withdrawals you make carefully, as taking large sums from your pension can boost your income in a particular tax year, pushing you into a higher rate of tax so that you pay more tax than you need to.. ◀

WHAT LIFESTYLE ARE YOU AIMING FOR?

There never seems to be a right time or enough time to plan for your retirement. But when you do, you can enjoy the present even more. It's never too early to begin, or too late. To find out more, contact us for more information.

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KEEPING IT IN THE FAMILY

CAREFUL PLANNING CAN REDUCE OR EVEN ELIMINATE THE INHERITANCE TAX PAYABLE

Intergenerational planning helps you put financial measures in place to benefit your children later in life, and possibly even your future grandchildren, so it's important to start planning early.

You may want to keep an element of control when passing on your assets. You may want your money to be used for a particular reason, such as paying for school or university fees or for a first property deposit. Or you may just want to make sure your money stays within the family.

Without appropriate provision, Inheritance Tax (IHT) could become payable on your taxable estate that you leave behind when you pass away. Your taxable estate is made up of all the assets that you owned, the share of any assets that are jointly owned, and the share of any assets that pass automatically by survivorship. Careful planning can reduce or even eliminate the IHT payable.

IHT is not payable on the first part of the value of your estate – the 'nil-rate band'. The nil-rate band is currently £325,000. If the total value of your estate does not exceed the nil-rate band, no IHT is payable. Outstanding debts and funeral expenses can be deducted from the value of your estate.

LEAVE YOUR INTEREST IN THE FAMILY HOME

Commencing 6 April 2017, an additional 'residence nil-rate band' (RNRB) allowance was introduced if you leave your interest in the family home to direct descendants (such as children, step-children and/or grandchildren). This only applies to your main home but can be available even if that home had been sold after July 2016.

The RNRB is being phased in gradually. For the 2018/19 tax year, the maximum additional allowance is £125,000, increasing your total IHT allowance to £450,000 (£900,000 for a married couple). The maximum allowance will rise by £25,000 each tax year until it reaches £175,000 in 2020. This will give you a potential total IHT allowance of £500,000 or £1 million for a married couple. For estates worth more than £2 million, the tax relief is tapered away.

There are legitimate ways to plan to reduce the amount of IHT you may have to pay. We can advise you on the ways that you may mitigate any exposure, including these:

MAKE A WILL

Dying intestate, or dying without a Will, means that you may not be making the most of the IHT exemption that exists if you wish your estate to pass to your spouse or registered civil partner. For example, if you don't make a Will, then relatives other than your spouse or registered civil partner may be entitled to a share of your estate, and this might trigger an IHT liability.

MAKE LIFETIME GIFTS

Gifts made more than seven years before the donor dies, to an individual or to a bare trust, are free of IHT. So, it might be appropriate to pass on some of your wealth while you are still alive. This will reduce the value of your estate when it is assessed for IHT purposes, and there is no limit on the sums you can pass on.

You can gift as much as you wish, and this is known as a 'Potentially Exempt Transfer' (PET). If you live for seven years after making such a gift, then it will be exempt from IHT, but should you be unfortunate enough to die within seven years, then it will still be counted as part of your estate if it is above the annual gift allowance. However, the longer you survive after making the gift (subject to surviving at least three years), the lower the IHT charge.

You need to be careful if you are giving away your home to your children with conditions attached to it, or if you give it away but continue to benefit from it. This is known as a 'Gift with Reservation of Benefit'.

LEAVE A PROPORTION TO CHARITY

Being generous to your favourite charity can reduce your tax bill. If you leave at least 10% of your estate to a charity or number of charities, then your IHT liability on the taxable portion of the estate is reduced to 36% rather than 40%.

SET UP A TRUST

As part of your IHT planning, you may want to consider putting assets in trust – either during your lifetime or under the terms of your Will. Putting assets in trust – rather than making a direct gift to a beneficiary – can be a more flexible way of achieving your objectives.

Family trusts can be useful as a way of reducing IHT, making provision for your children and spouse, and potentially protecting family businesses. Trusts enable the donor to control who benefits (the beneficiaries) and under what circumstances, sometimes long after the donor's death.

Compare this with making a direct gift (for example, to a child), which offers no control to the donor once given. When you set up a trust, it is a legal arrangement, and you will need to appoint 'trustees' who are responsible for holding and managing the assets. Trustees have a responsibility to manage the trust on behalf of and in the best interest of the beneficiaries, in accordance with the trust terms. The terms will be set out in a legal document called 'the trust deed'. ◀

PASSING ON OUR ASSETS TO OUR LOVED ONES

Being wealthy can have its benefits, and its challenges too. When we die, we like to imagine that we can pass on our assets to our loved ones so that they can benefit from them. In order for them to benefit fully from our assets, it is important to consider the impact of Inheritance Tax. If you would like to review the potential impact on your estate, please contact us.

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.

WEALTH SHARING BETWEEN GENERATIONS

REDEFINING HOW MILLENNIALS BECOME MORE FINANCIALLY SECURE

Millennials are set to redefine how wealth is shared between generations, according to new research[1]. Contrary to expectation, it is not millennials (aged 18–34) who appear to be under the greatest financial strain, with 44% saying they are 'comfortable' financially. In fact, the research shows they are trying to do the right thing.

Three quarters (73%) are putting money into savings, and as a generation they are saving the highest proportion of their income (14%). But while many millennials save hard, the cost of assets – especially property – means that no matter how hard they save, many won't be able to establish the lives they want without assistance.

UNINFORMED ABOUT MONEY

Some have given up on saving – 19% of 18 to 34-year-olds feel that major life goals, such as home ownership, seem so unachievable that it has discouraged them from saving (compared with 7% overall in the survey). Over one in ten (14%) also feel uninformed about the amount of money they should be putting away.

While two fifths (44%) of UK adults consider themselves financially 'comfortable', the squeezed middle are at their peak earnings and at their peak outgoings, with some supporting both children and their own parents. This has resulted in over a third (37%) of Gen X (aged 35–54) 'making ends meet' and a fifth (19%) admitting to 'struggling'. Out of those aged 35–54 who are struggling, 70% of them worry about money all the time and a third (33%) sometimes go without to provide for the rest of the family.

SUPPORTING OTHER GENERATIONS

Millennials are stepping in to provide financial support to other generations. Over a third have already supported their parents financially (36%), double the average and up from 23% in 2016. Two fifths (39%) of them say they would also financially support their parents in later life – significantly higher than both Gen X and Baby Boomers (aged 55+) at 15% and 2% respectively.

Looking further to the future, only a very small number of millennials (9%) believe that their children should have to support themselves financially when they leave home. Over three quarters (78%) of millennials plan to financially support their children in the future when they leave home.

COMFORTABLE LIVING STANDARD

More than two fifths (41%) say that in addition to helping with university costs for their children, they intend to also support with day-to-day living costs such as food (33%), clothing (26%) and phone bills (20%). To compare, less than a third (32%) of Gen X would help with university fees for their children, and even fewer would with food shopping (22%), clothing (12%) or phone bills (12%).

Aware that providing this level of financial support to both their parents and their children will have consequences, more than a fifth (21%) of those aged 18–34 are already worried they will need to work longer and that they won't have enough money for their own retirement (also 21%). Especially considering that nearly two thirds (63%) of them already admit they are saving too little to have a comfortable standard of living in the future. Millennials therefore expect help in return, with three quarters (75%) saying that they intend to rely on their own children for financial support in the future.

EMOTIONALLY TIED GENERATIONS

Dr Eliza Filby, Generations expert and historian of contemporary values adds: 'Millennials have been more financially dependent on their parents than any other previous generation, and they recognise that they will have to reciprocate this as their parents age and they themselves become more financially secure.

'They too want to offer the same opportunities and support to their children that their parents gave to them. This attitude towards financial intergenerational dependence is very different to behaviour we have seen from previous generations for two very important reasons: children are dependants for much longer, and the elderly are living much longer. The family unit are more financially interdependent and emotionally tied than at any other time since before the Second World War.' ◀

WHAT ARE YOUR FINANCIAL PRIORITIES?

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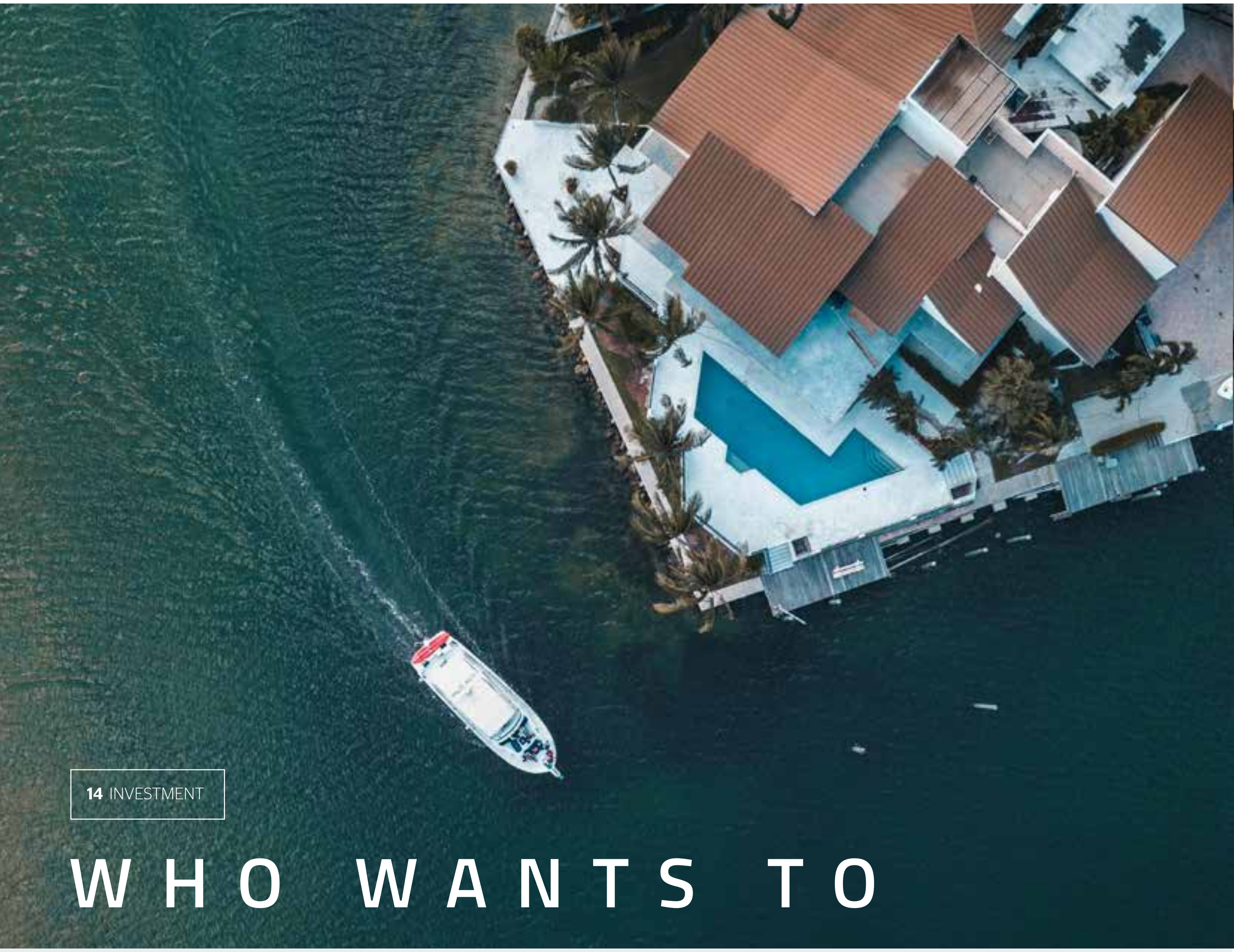
Whether you are clear on your financial priorities or feel you need pointing in the right direction, we can help you plan and structure your finances. If you're ready to have a conversation, please contact us.

Source data

[1] Family Wealth Report research conducted by Opinium Research for Brewin Dolphin amongst 5,000 UK adults between 30 August and 5 September 2018.



WHO WANTS TO BE A MILLIONAIRE?

GETTING THERE COULD BE EASIER THAN YOU THINK – BUT YOU'LL NEED TO START YOUNG

Parents could make their baby an adult millionaire by starting a pension pot when they are born. Children born this year could become millionaires by their 43rd birthday if their families contribute to a pension for the first 18 years of their lives[1]. The analysis found that parents or grandparents contributing £2,880 per year (£3,600 after tax relief) until their children turn 18 years old could create a pot of £1,021,837 by 2061. The figure assumes a total contribution of £51,840, a growth rate of 8% per annum, and is net of product charges.

SUBSTANTIAL POT OF CASH

Whilst the assumed growth rate may seem high, data from Moneyfacts, the comparison website, showed that average returns from pension funds were 10.5% in 2017 and have seen double-digit growth for six consecutive years.

While lower growth rates reduce the return, they would still leave children with a substantial pot of cash to help them retire. Average growth rates of 2% and 5% mean that, by the time the child reaches its 55th birthday (2073), they would have a pot of £171,086 and £668,592 respectively.

LOVED ONE'S PENSION

On an average 5% growth rate, the child would be a millionaire by the time they retire in 2083 (65 years old), with a pension pot of £1,089,067. By the same milestone, a growth rate of 8% would create a pension pot of £5,555,260.

Previous research found that very few people would consider contributing to a loved one's pension – only 2% of over-55s said they would support a relative by putting money into a pension fund. By contrast, 68% said they would leave their family an estate when they pass away, compared with 34% who would help their family with ongoing gifts of any kind.

COMPOUNDING INTEREST

Despite its obvious advantages, contributing to a family member's pension is one of the last thoughts to cross the majority of people's minds. Yet, provided growth rates remain at current levels, it could make a millionaire of a child born today by the time they hit middle age from a relatively modest £51,840 over 18 years. It's the power of compounding interest in action.

One of the biggest obstacles to passing on wealth tends to be the parents or grandparents worrying that their younger family members will 'waste' the money on frivolous purchases. But, pension contributions guarantee that their children won't be able to use the proceeds until they are pensionable age.

TAX-EFFICIENT SAVINGS

If they don't want to exert that amount of control, they can look at other ways too. Junior ISAs offer tax-efficient savings until a child is 18, albeit there is no tax relief. However, if they want to be very specific about what their money pays for, discretionary trusts are another option, keeping it vague about who benefits and in what capacity.

For most parents, saving regularly is an integral part of securing their child's financial future. Making regular contributions to a child's pension may not seem like the obvious choice. However, given the flexible nature of pensions and the tax relief offered by the Government, they can provide a very simple way of securing children's financial future in retirement. ◀

Source data

[1] Figures taken from Brewin Dolphin's 'Mind the generation gap' research, which included a detailed survey of 11,000 people.

MAKING THE MOST OF RETIREMENT SAVINGS

Saving for a child today is a wonderful gift for their future. There's no time like the present to take steps towards make the most of retirement savings for your children. To discuss your options, 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.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. 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.

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.

IN BRIEF

SELF-EMPLOYED 'WANT GOVERNMENT PENSION SAVING HELP'

Self-employed workers want government help to save for retirement and would back new laws to expand auto-enrolment or to make saving for retirement compulsory, new research shows[1].

More than half of self-employed workers questioned want the law changed to encourage them to save for retirement – 27% would support the expansion of auto-enrolment to cover the self-employed, while 27% would back compulsory pension saving.

The study highlighted the growing pension crisis among the self-employed, with more than two fifths (43%) – the equivalent[2] of more than two million workers – admitting to having no form of pension. More than a quarter (28%) say they will be reliant on the State Pension as their main source of retirement income, worth just £8,546 a year.

The research shows nearly one in five (18%) self-employed people do not believe pensions apply to them, while 20% say they find the rules very confusing, and 15% worry they cannot immediately access their funds if out of work.

Workplace auto-enrolment has been a success[3] for the employed with membership of occupational schemes at a record high of 41.1 million and up by 49% over five years.

Various options to encourage and support the self-employed to save via auto-enrolment have been put forward in recent years. ◀

OPTIONS FOR RETIREMENT

Wherever you sit in your retirement journey, we're here to support you. Whether it's starting a pension, saving more into your plan or to help with your options for retirement. Please contact us if you want to review your options.

Source data

[1] Consumer Intelligence conducted an independent online survey for Prudential between 20 and 21 June 2018 among 1,178 UK adults

[2] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2018#summary-of-latest-labour-market-statistics

[3] https://www.gov.uk/government/news/automatic-enrolment-breathing-new-life-into-britains-retirement-prospects

EMERGENCY CASH

BOOSTING WOMEN'S PENSION SAVINGS

A million more women in their 20s could be saving adequately for retirement if they were able to access emergency cash from their pension, according to a new report[1].

The latest Women & Retirement report highlights that the current lack of flexibility in pensions is a barrier to saving and that introducing the ability to access funds for unexpected bills could provide a much needed boost to the nation's savings.

ACCESS TO MONEY IN EMERGENCIES

Four in ten (40%) women aged 22–29 who have a pension say they don't save as much into it as they would like, because they want ready access to money in case of emergencies. This compares to just under a quarter (24%) of men aged 22–29. Around 357,000 women in this age bracket would start saving into a pension for the first time if they could have the option to access some of their savings should they need it[2].

The report revealed that more than two thirds of women aged 22–29 (67%) are not saving enough for retirement, and 25% aren't saving anything at all. Men of the same age are better prepared, with 46% saving adequately for retirement and fewer not saving at all (17%). The current minimum employer pension contribution through auto-enrolment is 8%. However, the report suggests a combined 12% employer and employee contribution as an adequate level of saving[3].

WIDENING OF THE SAVINGS GAP

At every age, men's savings outpace women's, and this could be for a number of reasons, including the gender pay gap, women taking maternity leave, or even choosing to work part-time. The gap widens as savers reach their forties when women have an average of around £23,000 in savings and investments but men have more than £50,000.

Men's savings continue to grow well into their seventies, where they reach an average of almost £130,000, yet women have around £48,000. Women in their sixties begin to see their savings dip, which could suggest they are accessing their pensions much sooner than men.

FACING SOME FINANCIAL DIFFICULTIES

While problems with money can affect anyone, the research shows that young women are more likely to face financial difficulties than men of the same age[4]. More than half of women aged 22–29 (56%) say they have been in some financial difficulty, versus 50% of men aged 22–29. More than a quarter (27%) of women aged 22–29 also said their money problems were caused by an unexpected bill.

A fifth of women in this age group (21%) say a drop in their income put them into financial difficulty, and one in seven (13%) has faced financial hardship following the breakdown of a relationship.

ATTITUDES TOWARDS PENSION SAVINGS

For a young woman in Britain today, an unexpected bill of £270 would be enough to put them into the red, while young men say they could comfortably manage no more than a £315 bill. Beyond this age group, the gender gap persists with women of all ages (18+) expecting a £308 bill being enough to force them into debt, versus £367 for men.

One in five working women (20%) aged 22–29 feel insecure in their job, compared to one in ten (13%) men, which may affect their attitudes towards savings into a pension. Women also feel less confident in their ability to find a new job if they needed to. Nearly three in ten (28%) say they would not be confident finding a new job within three months, versus 24% of men. ◀

HOW PREPARED ARE YOU FOR RETIREMENT?

Obtaining professional financial advice is vitally important. Planning ahead helps ensure that you're on track. We can review your retirement plans and help make your finances more tax-efficient. To discuss your situation, please contact us.

Source data

[1] There are 3,404,279 women aged 22–29 in Great Britain, according to ONS population estimates to mid-2017. According to data from the Scottish Widows Women and Retirement Report 2018, 75% have a pension, and of these, 40% say they don't save as much into their pension as they would like to because they feel they need the flexibility to access savings if they need them. This equates to 1,021,284 women aged 22–29.

[2] 25% of women aged 22–29 in the UK don't have a pension. Of these, 42% say they would be likely to start saving into a pension if they were allowed to make a limited number of withdrawals from it during times of financial difficulty. This equates to 357,449 women aged 22-29.

[3] Scottish Widows suggests a combined 12% employer and employee contribution as an adequate level of saving.

[4] 'Financial difficulties' is defined as not being able to pay for your current obligations.

DIFFERENT LIFE EVENTS

SOLUTIONS THAT WORK AS YOUR PRIORITIES CHANGE OVER THE YEARS

The future may seem far away, but you need to start planning early. Regardless of your goals, there are things you can do to increase your chances of success! We look objectively at your plans to provide solutions that work as your priorities change over the years and you go through different life events.

Many of us have got things in mind we'd like to do when we retire, whether it's travelling the world or simply doing more of what you love. But how can you save enough for a decent retirement without having to give up what makes life good today?

EAGERNESS TO RETIRE

According to new research[1], almost three quarters (73%) of people aged 45 or over are longing for the day when their life is no longer confined by their working routine. Yet despite an eagerness to retire, the research shows that almost half (46%) of over-45s with a pension have no idea how much it is currently worth, and that more women (52%) than men (41%) don't know the value of their own pension savings.

SHIFT IN LIFESTYLE

A fifth (19%) of those aged 45-plus don't have a pension in place yet. Two thirds of those aged 45-plus (67%) are hoping for a shift in lifestyle, keen to retire early before the State Pension age kicks in. But only one in ten of them (12%) has proactively increased how much they are investing in their pension when they've been able to, in order to help make this happen.

PENSION FREEDOMS BENEFITS

Once people reach the age of 55 (age 57 from 2028), they can benefit from pension freedoms which allow them to start withdrawing money from their pension savings if they need to. It's a point at which some key decisions can be made, and the importance of knowing the value of their pension should come sharply into focus. But even among this group of people aged 55–64, some 45% still have their eyes shut and don't know what their pension savings are worth. ◀

LIFE AFTER WORK

Retirement is changing, and life after work in the future will not look the same as it did for our parents or their parents. But while many of us might dream of what we're going to do when we retire and when that might be, without a plan in place, these dreams are likely to stay just that. To find out more, please contact us.

Source data

[1] The research was carried out online for Standard Life by Opinuium. Sample size was 2,001 adults. The figures have been weighted and are representative of all GB adults (aged 18+). Fieldwork was undertaken in November 2017.

PERSISTENT PRESENTEEISM

EMPLOYEES RELUCTANT TO STAY AT HOME WHEN ILL

Workplaces are suffering from persistent presenteeism as up to 28 million employees may be coming into work when ill.

Presenteeism remains a pervasive problem in UK office culture, as nearly half (47%) of employees surveyed reveal they didn't take a sick day, according to new research[1].

MINOR ILLNESS

While there has been a small decrease in the number of employees not taking a sick day from 2016 (54%), the tendency to come into the workplace when suffering from a minor illness persists, as nine in ten (88%) admit they go into the office.

The reasons why employees were reluctant to stay at home when ill varied. Over half (53%) stated that even though they were unwell, they felt it did not warrant a day off. A quarter (25%) said their workload was too great for them to take time off, and one in ten (9%) admitted they didn't feel secure enough in their role to take a sick day.

POSITIVE PERCEPTIONS

For those concerned about how their colleagues would perceive them, one in five (19%) believe they would be viewed as weak, 17% believe they would be perceived as lazy and 15% believe they would be viewed as inconsiderate. However, positive perceptions were also popular with 17% of workers believing they would be viewed as sensible or genuine, and 15% as honest.

For employees who took time off when unwell, the average number of days taken rose in 2017, from 2.8 to 4.4. Failing to take a sick day can have a significant impact on business performance, as employees fail to recuperate properly. As well as changing perceptions, employers can offer much more to support staff when they are unwell.

HIGHEST PROPORTION

The majority of those who took time off for illness in 2017 were out of the office for between one and five days. Overall, the number who took this amount of time off remained fairly static, at 30% in 2016 and 28% in 2017. However, around one in twelve (8%) took between 11 and 20 sick days in total – the highest proportion since 2015.

Employees say their well-being would improve with flexible working, a positive attitude towards the issue and increased workplace support. Three in ten (28%) say flexible working options would help with both their physical and mental health, and this was particularly popular amongst women, with one third (33%) agreeing.

WORKPLACE ATTITUDE

A similar number of workers (27%) also said a more positive workplace attitude towards health and well-being would help, while a fifth (19%) said better workplace support (for example, Employee Assistance Programmes) would be beneficial.

Presenteeism is a vicious cycle; the drive to remain in the office can cause illness to spread or end up leading to a longer recovery time. It is encouraging to see that many employees view those taking time off for illness in a positive way, being described as genuine, honest and sensible. To reduce presenteeism, these positive perceptions must be encouraged so workplaces can reduce any stigma attached to taking time off. ◀

COVER FOR YOUR FAMILY FINANCES

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Creating wealth shouldn't be at the expense of your health. And living longer makes looking after your mind, body and finances increasingly important for yourself and future generations. To discuss how we can make sure you're able to protect you and your family, please contact us.

Source data

[1] Canada Life 28 September 2018 based on 'sick days' 2017.

MANAGING RISK

PENSIONERS 'IN THE DARK' OVER HOW TO PROTECT THEIR POTS IF MARKETS TUMBLE

Many retirees are at risk of overlooking their pension finances by falling into an avoidable trap, according to new research. A third (36%) of people keeping their pension invested through retirement could be hit harder by falling markets as they do not have a cash safety net to fall back on, research has found[1]. And even though two thirds (64%) of retirees are holding cash in reserve, fewer than one in ten (8%) would think to use it if there was a 'significant' drop in the stock market.

Diversification across asset classes and regions is important for pensions, which is important not just for good returns but also to manage the risks inherent in different asset classes and geographies.

BUFFER OF CASH

Some retirees in drawdown will hold a buffer of cash which they can call on in volatile markets. By taking income from cash held inside their pension instead of their invested assets, they are not forced to sell investments at lower prices.

This can help to protect them from 'pound-cost-ravaging' where, as stock prices drop, retirees are forced to sell more investments to achieve the same level of income, depleting the capital of their pot quicker and reducing its future growth.

SAFEGUARD POTS

Recent volatility in the market could have left some retirees feeling unnerved, but there are steps that can be taken to safeguard their pots. It's good to regularly check you're not taking more income than you need and that your pension is well diversified.

If markets tumble, it pays to be more cautious by scaling back your income or turning off the taps altogether. Alternatively, limiting the level of withdrawal to the 'natural' income from share dividends or bonds leaves the underlying investment intact, giving it a better chance to regain lost ground when markets recover.

SHIELDING DRAWDOWN SAVINGS

DIVERSIFY TO AVOID STRETCHING INCOME

Diversification is essential to protecting your assets in a market crash. As ever, picking a portfolio of non-correlated investments, diversified by geographical region, asset class and sector, can help to reduce a portfolio's overall volatility and create greater stability of returns.

HAVE A SAFETY NET

Building up a cash buffer can protect against falling stock markets and means you might not have to reduce their standard of living while the market corrects. Holding two years' cash means you won't be forced to sell when prices are falling, thereby locking in losses. Instead of cashing in funds, you can dip into cash reserves, giving their pot a chance to regain lost ground.

TURN OFF THE TAPS

If you can afford to, scale back their withdrawals or place them on hold until markets have recovered. Alternatively, limit the level of withdrawal to the natural income from share dividends or bonds. This leaves the underlying investments intact, giving them a better chance to recover when markets rise.

INVEST IN MULTI-ASSETS

Multi-assets, as the name suggest, invest in different types of assets, from equities to property. In a downturn, some asset classes may not fall by as much as others, meaning multi-asset funds can help to smooth out the effects of a market crash while offering investors greater level of protection.

HAVE A NUMBER OF BUCKETS

Having a medium-term investment bucket and longer-term investment bucket can help to manage the mood swings of the stock market. The cash bucket is fed by the medium bucket, which is in turn fed from the long-term bucket.

REBALANCE

Rebalancing can help to maintain the overall risk of a portfolio in line with your needs. Rebalancing won't necessarily provide a greater investment return, but it is a protection mechanism against creating undue or unanticipated risk. ◀

Source data

[1] All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 660 adults whose pension is in drawdown. Fieldwork was undertaken between 3 and 15 October 2018.

SAVE TODAY TO ENJOY TOMORROW

Whatever you want from retirement, one thing is certain – to give you the retirement you want and deserve, you need to plan ahead. Speak to us to find out how we can help you.

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PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. 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.

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.

AUTUMN BUDGET 2018

WHAT THE CHANCELLOR HAD TO SAY

The Chancellor of the Exchequer, Philip Hammond, delivered his third Budget to Parliament on 29 October 2018 in what should be the last one before Brexit in March this year. What should you take away from the Chancellor's Autumn Budget 2018?

He opened the Budget by declaring it was aimed at hard-working families, 'the strivers, the grafters and the carers', and would pave the way for a 'brighter future'. He set out the Government's plan to build a stronger, more prosperous economy, building on the Spring Statement and 2017's Budget.

A number of measures and consultations were announced which perhaps demonstrate a loosening of the fiscal purse strings. However, the Chancellor concluded that although austerity is coming to an end, discipline will remain.

As well as the tax cuts and increased departmental spending, the Chancellor announced one-off bonuses for defence, schools and local authorities.

There were no widespread announcements around pensions tax relief. There had been rumours that the Chancellor may look to introduce a flat-rate of tax relief, but in the end there were only more minor changes to the pensions landscape.

From a tax perspective, there is a short term tax giveaway for the next couple of years to encourage consumer and business spending whilst the process of a Brexit deal are worked through.

Individual taxpayers will benefit from the increase in the personal allowance to £12,500 and the higher rate threshold to £50,000 from April this year. However, the self-employed will continue to pay class 2 NICs.

Businesses will also benefit from a two-year increase in the annual investment allowance to £1 million, which allows an upfront tax deduction for capital expenditure on plant and machinery.

The Chancellor left us with a warning that if the financial forecast was adversely impacted by the Brexit negotiations, then next year's Spring Statement could be upgraded to a full Budget. ◀

AUTUMN BUDGET 2018

BUSINESS MATTERS

What should private businesses take away from this Autumn Budget 2018? The headline measures and the concentration of the Chancellor of the Exchequer was very much on other areas, although he did mention enterprise.

He announced off payroll working, which will affect all but the smallest private businesses who use contractors, who will need to look at their arrangements.

There will be a temporary increase in the annual investment allowance for two years up to a million pounds, and a change to entrepreneur's relief to more narrowly target this at employee shareholders who've got 5% interest in profits and assets.

SUMMARY OF HOW THE AUTUMN BUDGET 2018 ANNOUNCEMENTS COULD IMPACT ON BUSINESSES:

- From April 2020, the Government to introduce a new 2% Digital Services Tax on the revenues of certain digital businesses to ensure that the amount of tax paid in the UK is reflective of the value they derive from their UK users
- Abolition of Private Finance Initiative (PFI) contracts, with the Chancellor announcing he will not sign any future contracts
- VAT threshold frozen reconfirmed at £85,000 for two years
- To manage existing deals 'in the taxpayer's interest', new centre of excellence introduced
- From public sector to medium and large private companies, commencing 2020, changes introduced to extend the way self-employment status is taxed
- Increase from £200,000 to £1m for two years to annual investment allowance
- The capital allowances special rate for qualifying plant and machinery assets will be reduced from 8% to 6% (from 6 April 2019), while a new 2% non-residential Structures and Buildings Allowance (SBA) is available where contracts for physical construction works were entered into on or after 29 October 2018
- Apprenticeship levy contribution of small companies to be reduced from 10% to 5%
- Business rates bill for companies with a rateable value of £51,000 or less to be cut by a third over two years (a saving for 90% for independent companies)
- £900m in business rates relief for small businesses and £650m to rejuvenate high streets
- Corporate capital loss restriction from 1 April 2020 – the proportion of annual capital gains over a £5m allowance that can be relieved by brought-forward capital losses will be limited to 50%
- Only employers with an employer National Insurance contributions (NICs) bill below £100,000 in their previous tax year will be eligible for Employment Allowance, which provides businesses and charities with up to £3,000 relief from April 2020

STATE PENSION

MOVE TO EQUALISE MALE AND FEMALE PENSION AGES

Women will now start to qualify for the State Pension at the same age as men, currently set at 65. The move to equalise male and female pension ages began 25 years ago and has been gradually phased in. Your State Pension age is the earliest age you can start receiving your State Pension. It may be different to the age you can get a workplace or personal pension.

The State Pension age has been undergoing radical changes, and more changes are planned for the future. Commencing this year, the State Pension age will increase for both men and women to reach 66 by October 2020. The Government is also planning to increase the State Pension age from 66 to 67 between 2026 and 2028.

STATE PENSION AGE EQUALISATION

Women aged 65 on 6 November were the first to wait for as long as men. For more than 60 years, women received their pensions at the age of 60, but that has been rising ever since. The equalisation of State Pension age and future planned increases are a further prompt to women to think about how much they'll need to save for a comfortable retirement.

While limited progress is being made to close the gender pay gap, other factors impacting women's ability to save adequately for retirement – including career breaks to raise a family or to care for elderly parents – aren't going anywhere.

VARIATIONS IN LIFE EXPECTANCY

The Government has made a commitment to review the State Pension age every five years. This includes an analysis of life expectancy projections by the Government Actuary's Department and reports from an independently led body on wider factors that should be taken into account when setting State Pension age, such as variations in life expectancy.

From now on, men and women will see their State Pension ages go up in tandem – increasing to 66 by October 2020, and 67 by 2028. The Government has also accepted the findings of the Cridland review, which recommended that the pension age should rise further – to 68 – by 2039.

RESULT OF SUCCESSIVE GOVERNMENTS

Women typically earn less from their State Pension than men, as they tend to work in more lowly paid and part-time jobs and therefore pay lower National Insurance contributions. Many with part-time jobs may also miss out on auto-enrolment pensions, as they do not earn enough to qualify.

The move to increase the State Pension age is the result of successive governments accepting that unless the qualifying age went up, the State Pension would become unaffordable. This is going to be kept under review, which means that it could change again in the future, depending on different factors, such as changes in life expectancy.. ◀

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MAKE THE MOST OF THE NEXT CHAPTER IN LIFE

To keep yourself and your finances in good shape, we can help create a clear picture of what you need, so that the best is yet to come. To find out more or to discuss your requirements, please contact us.

AUTUMN BUDGET 2018

KEY ANNOUNCEMENTS AT A GLANCE

ECONOMY

- Chancellor announces era of austerity is 'finally coming to an end'
- People in work since 2010 has risen by an additional 3.3 million
- Highest wages growth in nearly a decade

GROWTH

- Growth forecast for 2018 1.3%. Then 1.6% in 2019, 1.4% in 2020, 1.4% in 2021, 1.5% in 2022 and 1.6% in 2023

BORROWING

- Borrowing forecast to be £11.6 billion lower in 2018/19 than forecast at the Spring Statement. That is equivalent to 1.2% of GDP
- Borrowing forecast to fall in subsequent years to £31.8 billion in 2019/20, then falling to £26.7 billion in 2020/21, £23.8 billion in 2021/22, £20.8 billion in 2022/23 and £19.8 billion in 2023/24
- Government to meet its fiscal targets three years early, and will see borrowing as a percentage of GDP fall to 1.3% in 2021

DEBT

- Debt as a share of GDP to fall to 83.7% this year and to 74.1% by 2023/24
- As a share of GDP, debt peaked at 85.2%
- Debt as a share of GDP is forecast to fall to 82.8% in 2019/20, 79.7% in 2020/21, 75.7% in 2021/22, 75.0% in 2022/23, and 74.1% in 2023/24

BREXIT

- Additional £500 million for Brexit preparations in government departments (on top of £1.5 billion announced at the Spring Statement 2018)
- Spring Statement March 2019 could be upgraded to a 'full fiscal event' (full Budget) if needed
- 50p commemorative coin announced to mark the UK's departure from the EU

PERSONAL TAXATION AND ALLOWANCES

- Personal allowance threshold to increase to £12,500 one year earlier than planned from April 2019
- Higher rate taxpayers' threshold increases to £50,000 one year earlier than planned from April 2019
- Minimum National Living wage from April 2019 set to rise by 4.9% from £7.83 to £8.21
- Lifetime Allowance (LTA) to rise in line with inflation (consumer price index) to £1,055,000 from April 2019
- Individual Savings Account (ISA) annual subscription allowance limit to remain at £20,000 (so £40,000 for a couple)
- Junior ISA (JISA) allowance limit will rise in line with CPI inflation to £4,368
- The 0% rate of savings allowance remains at £5,000

WELFARE

- Work allowance increased to £1,000 a year under Universal Credit (cost to the Treasury £1.7 billion a year)
- To help welfare claimants transfer to new consolidated benefit, an extra £1 billion allocated
- £630 a year for 2.4 million working families with children

HOUSING AND STAMP DUTY LAND TAX (SDLT)

- All shared equity purchases of up to £500,000 will be exempt from stamp duty land tax
- £500 million for the Housing Infrastructure Fund, designed to enable a further 650,000 homes to be built (fund now stands at £5.5 billion)
- Lettings relief limited to properties where the owner is in shared occupancy with the tenant
- Guarantees of up to £1 billion for smaller house-builders
- New partnerships with housing associations in England to deliver 13,000 homes

DEFENCE

- Additional £1 billion allocated to the defence budget to boost cyber capabilities and anti-submarine warfare
- Treasury will donate £10 million to the Armed Forces Covenant Fund Trust to support veterans on the centenary of the WWI Armistice
- To mark the 75th anniversary of the liberation of Bergen-Belsen concentration camp in northern Germany, £1.7 million allocated to Holocaust education programmes
- Counter-terrorism police to receive an extra £160 million

EDUCATION (ENGLAND ONLY)

- £400 million extra announced for schools in this financial year
- Average £10,000 per primary school and £50,000 per secondary school to be received

HEALTH

- Minimum extra £2 billion a year allocated for mental health services
- New mental health crisis centre providing support in every accident and emergency unit in the country
- NHS over the next five years confirmed to receive an extra £20.5 billion
- £700 million extra announced for councils, for care for the elderly and those with disabilities
- Air ambulances to receive additional £10 million

TRANSPORT, INFRASTRUCTURE AND CULTURE

- England's roads, including repairs to motorways and potholes to receive £30 billion
- Infrastructure spending growth 30%
- Air Passenger Duty set to be indexed in line with inflation
- E-passport gates at airports will be available to people from the USA, Canada, New Zealand, Australia and Japan

ENVIRONMENT

- Non-recycled plastic packaging new tax to be introduced (on the manufacture and import of plastic packaging that contains less than 30% of recycled plastic)
- If the industry doesn't make enough progress, the current 'no tax' on takeaway coffee cups to be reconsidered
- £60 million allocated for planting trees in England
- Abandoned waste sites to receive £10 million to deal with clean up

REGIONS

- £950 million additional for the Scottish Government, £550 million for the Welsh Government and £320 million for a Northern Ireland Executive in the period to 2020/21
- New City and Growth deals for Belfast, north Wales and the Tay Cities area, which includes the cities of Dundee and Perth as well as Angus and the north part of Fife
- Belfast to receive £2 million for help to recover from the Primark fire

OTHER ANNOUNCEMENTS

- No changes announced for Inheritance Tax
- From February 2019, price of a bottle of wine duty to increase by 8p, in line with inflation
- Beer, cider and spirits duties frozen
- Inflation plus 2% increase for tobacco duty
- Packet of 20 cigarettes increased by 33p
- Ninth year in a row fuel duty frozen
- Online gambling on 'games of chance' from this year for Remote Gaming Duty to increase to 21%

BUSINESS FREEDOMS

CONTEMPLATING A LONG-TERM SELF-EMPLOYED FUTURE?

Self-employment enables you to exercise your sense of freedom in business decision-making and to choose your own business path. There are many benefits to becoming a self-employed freelancer or running your own business: the flexible hours, the option to work from home, no fixed holiday allowance, and, of course, being your own boss. But it's vital to remember that there is no sick pay, life insurance or pension scheme benefits, unless you arrange to put these schemes in place yourself.

SERIOUSLY MISSING OUT

The Government's compulsory pension auto-enrolment initiative introduced in 2012 now means that most people working for a company will have been automatically enrolled in a workplace pension by 2018. But, if you're self-employed, you could be seriously missing out.

If you are currently self-employed, or you're contemplating it, making self-employment work for you is not just about making sure your business is profitable enough to pay you a salary. You also need to think about your long-term future.

ENJOY YOUR RETIREMENT

The State Pension alone is unlikely to provide you with enough income to enjoy the retirement you want. So, it makes sense to invest in a personal pension, with which you choose where you want your contributions to be invested from a range of funds offered by the provider.

The earlier you start, the better. It gives you more time to contribute to your savings before retirement, more time to benefit from tax relief, and more time for your savings to grow. We can assist you to take the right steps to secure your financial future whilst you focus on your business.

FREEDOM AND CONTROL

Self-employed people tend to use a personal pension to save for their retirement. It gives the option to choose where contributions are invested and the provider usually offering a range of different funds.

These plans qualify savers for tax relief on their contributions at their highest marginal rate of Income Tax, so a £1,000 contribution will cost only £800 and £600 for basic-rate and higher-rate taxpayers respectively. They come in different forms, from simple stakeholder pensions to self-invested personal pensions (SIPPs), offering greater investment freedom and control.

NATIONAL INSURANCE RECORD

There's no limit to the amount you can pay in to your pension fund each year, but there is a limit to the tax relief that can be claimed on your contributions. The current 2018/19 maximum annual allowance is £40,000, or if your salary is lower than that, it's 100% of your salary. Any amounts over and above that don't qualify for tax relief.

Don't forget, you're entitled to the State Pension in the same way that employed people are. The level of the payments you receive will depend on your National Insurance (NI) record. You can top up your contributions if you are falling behind to ensure you don't miss out. In tax year 2018/19, the full level of State Pension is £164.35 a week.

FUTURE INCOME UNCERTAINTY

One concern for some self-employed workers, who may lack certainty about their future income, is tying up savings on which they may need to fall back. An option to consider is an Individual Savings Account (ISA). An ISA lets you earn interest without paying any income tax on the proceeds withdrawn.

You have an ISA allowance in the UK every tax year, which lets you save or invest money up to a certain amount without paying tax on your returns. Your ISA allowance for this tax year is £20,000. The tax year runs from 6 April to 5 April the following year. In addition, you do not have to declare either gains or income in a Stocks & Shares ISA, or interest in a Cash ISA, on your tax return. ◀

SAVING FOR YOUR FUTURE

As things stand, many self-employed people may be forced to keep working beyond the State Pension retirement age because they simply won't have enough money to live on if they don't. It's all too easy to forget to get a pension when you're your own boss. But, the fact is that – self-employed or not – saving for your future is vital if you want a comfortable retirement. To find out more or to discuss your requirements, please contact us

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THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

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WEALTH JOURNEY

PLANNING YOUR LONG-TERM INVESTMENT OBJECTIVES

Selecting the most appropriate investment products and undertaking the right planning at the right time to minimise the amount of tax you pay are key to accumulating wealth over the long term. Add to this general economic factors, business conditions and political events, these are just some of the things that can cause uncertainty and volatility in the markets. Over any given time period, the economy can also go through a series of ups and downs.

CASH SAVINGS VULNERABLE TO EROSION BY INFLATION

Some investors often think of cash as a safe haven in volatile times, or even as a source of income. But the ongoing era of ultra-low interest rates has depressed the return available on cash to near zero, leaving cash savings vulnerable to erosion by inflation over time. With interest rates expected to remain low, investors should be sure an allocation to cash does not undermine their long-term investment objectives.

However, investors who have left their cash in the bank may have missed out on the impressive performance that would have come with staying invested over the long term. Of course, there are also reasons to invest conservatively – market volatility and preserving the funds you have, just to name a couple. But, there is also a trade-off between risk and reward.

THE MORE RISK, THE MORE REWARD POTENTIAL

Investing is often said to be a long-term activity. Why is this, and what should you consider? Firstly, the more risk, the more reward potential; the less risk, the less reward potential. It's ironic that minimising market risk can increase the probability of a long-term retirement income shortfall.

Even missing out on a few years of saving and growth can also make an enormous difference to your eventual returns. Compound interest is essentially interest on your interest, or, put another way, growth on your investment taking into consideration the previous growth on that same investment. Albert Einstein said, 'Compound interest is the eighth wonder of the world. He who understands it, earns it...he who doesn't...pays it.'

REINVESTING THE INCOME FROM YOUR INVESTMENTS

Reinvesting income can be another major factor in long-term returns for investors. You can make even better use of the magic of compounding if you reinvest the income from your investments to boost your portfolio value further. The difference between reinvesting – and not reinvesting – the income from your investments over the long term can be enormous. Reinvesting income from your investments enables you to buy more shares which will potentially grow in value and boost your overall returns. In simple terms, your returns also earn returns.

It's important not to forget that volatility in financial markets is normal, and investors should be prepared upfront for the ups and downs of investing, rather than reacting emotionally when the going gets tough. Market timing can also be a dangerous habit. Pullbacks are hard to predict, and strong returns often follow the worst returns. But some investors may think they can outsmart the market, or they let emotions push them into investment decisions they later regret.

DIVERSIFY TO HELP YOU ACHIEVE YOUR DESIRED RETURNS

While markets can always have a bad day, week, month or even a bad year, history suggests investors are much less likely to suffer losses over longer periods. Investors need to keep a long-term perspective. The last ten years have been a volatile and tumultuous ride for investors, with natural disasters, geopolitical conflicts and a major financial crisis.

When it comes to creating an investment portfolio to help you maintain your quality of life during retirement, it's essential that you diversify to help you achieve your desired returns while managing risk. Basically, diversification means balancing the investments you have in your portfolio among different categories, classes and industries so that in a given economic situation, they don't all go up or go down together.

REDUCING YOUR OVERALL INVESTMENT RISK OVER TIME

The term correlation is used to describe how one type of investment behaves in relation to another. If two types of investments behave similarly, they are said to be positively correlated. If they behave differently, they're negatively correlated.

So, whether the market is bullish or bearish, maintaining a diversified portfolio is essential to any long-term investment strategy. A diversification strategy can help you achieve more consistent returns over time and reduce your overall investment risk. ◀

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INVESTING FOR A BRIGHTER FUTURE

We'll find the right investment solutions for you, whether you want to create or maintain a lifestyle, build a legacy or fund a long-term goal. To find out how we can help guide your wealth journey, please contact us.

THINK PENSIONS ARE ONLY FOR ‘OLDER’ PEOPLE?

MAKE THE MOST OF THE EARLY YEARS AND MAXIMISE FROM THE POWER OF COMPOUNDING

Retirement might seem a long way off, so it’s easy to understand why saving for retirement isn’t a priority in your 20s – a decade when advancing your career, not planning for the end of it, seems more important. But, youth is a huge advantage when it comes to building wealth for retirement because it gives you time to maximise from the power of compounding.

As soon as you start working, it's time to start thinking about pension and retirement planning. Think you're too young to start a pension? Think you've got plenty of time before you need to plan your retirement? Think pensions are only for 'older' people? You can probably find plenty of reasons not to save money. But, making the most of the early years of your career is one way to achieving your retirement savings goal, and probably the easiest.

BOOST YOUR CONTRIBUTIONS

It's important to plan for the day that you eventually stop working as soon as you can. While you can't usually touch the money in your personal or workplace pension until you reach the age of 55 (rising to 57 by 2028), one of the best aspects of pension saving is the boost your contributions receive from tax relief, or a refund of the tax you've paid.

You'll receive tax relief at the basic rate of 20% on contributions made to personal and workplace pensions. So, for every £80 you pay in, the taxman will top it up to £100. If you're a higher or additional rate taxpayer, you can claim back up to an additional 20% or 25% through your self-assessment tax return. If you are a Scottish taxpayer, the tax relief you will be entitled to will be at the Scottish Rate of Income Tax, which may differ from the rest of the UK.

VALUABLE COMPANY BENEFITS

Company pension schemes often provide one of the best ways to save for retirement, as employers also usually make contributions on your behalf. Given that the Government tops up your contributions too through tax relief, boosting the amount in your pension pot, this makes them one of the most valuable company benefits available.

Under the Government's auto-enrolment scheme introduced in 2012, if you're at least 22 years old and earn more than £10,000, your employer will have to automatically enrol you in a pension scheme into which you and they must contribute. You can opt out if you want to, but if you do this, you won't benefit from your employer's contributions.

ENHANCE RETIREMENT SAVINGS

If you don't have access to an employer's pension scheme, perhaps because you're self-employed, you can still contribute to a personal pension and benefit from tax relief on your contributions. Pensions aren't the only way you can save for your financial future. Some people choose to use their Individual Savings Account (ISA) allowance (which is currently £20,000 in the 2018/19 tax year) to enhance their retirement savings.

Unlike pensions, there's no tax relief on the money you put into ISAs, but you can access your savings whenever you like. It is now also possible to withdraw ISA funds and repay the contribution in the same tax year, without the replacement counting towards your annual ISA limit. However, you need to consider that while an ISA may be flexible, if you sell investments to withdraw cash, you may not get the best available returns and could potentially increase the risk of loss compared to remaining invested over the long term.

TAX-EFFICIENT RETURNS

All gains and returns are tax-efficient with both ISAs and pensions, but once you've take the tax-free cash from your pension, the rest will be subject to Income Tax as you draw an income or lump sum. All withdrawals from ISAs are tax-free. Over the long term, investment ISAs may provide the potential for greater returns than cash accounts.

In April 2017, the new Lifetime ISA (LISA) launched to encourage people aged under 40 to save for their first home or their retirement. You can save up to £4,000 a year from your ISA allowance into a LISA, which will be supplemented by a government bonus of 25% (up to a maximum of £1,000 a year) up until age 50.

GOVERNMENT BONUS, INTEREST OR GROWTH

Funds held in a LISA can be used after 12 months of account opening to buy a first home valued up to £450,000. Alternatively, after your 60th birthday, you'll be able to take out all your savings from your LISA tax-efficiently for use in retirement. A LISA can be accessed like a normal ISA at any time for any reason, but if not used as above, you'll lose the government bonus and any interest or growth on this. You'll also have to pay a 5% charge.

You can split your allowance between a cash, investment, innovative finance and a lifetime ISA if you want to, and all gains will be free from Income Tax, tax on dividends and Capital Gains Tax. However, with a LISA, you can only pay in up to £4,000. ◀

GUIDING YOU THROUGH THE OPPORTUNITIES AND CHALLENGES

Living for another thirty years after work isn't just a possibility, it's a probability. Maintaining your lifestyle for longer may mean changing your habits and having a smarter plan. Whatever stage of life you're at, we can guide you through the opportunities and challenges you face. To find out more, please contact us.

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CAN YOU AFFORD TO RETIRE?

MAKING THE MOST OF THE NEXT CHAPTER IN LIFE

Pensions can seem complicated, but the basic idea is a simple one. And increasingly, if appropriate, people are turning to private pensions as a tax-effective way to increase their retirement income. Once you've decided to start saving for retirement, you need to choose how you're going to do it. The precise amount you'll need to save each month to retire at 55 depends entirely on the kind of lifestyle you plan on having in retirement. If appropriate to your particular situation, there are several different types of private pension to choose from. But, in light of recent government changes, the tax aspects require careful planning.

DIFFERENT PENSION SCHEMES

The term 'private pension' covers both workplace pensions and personal pensions. The UK Government currently places no restrictions on the number of different pension schemes you can be a member of. So, even if you already have a workplace pension, you can have a personal pension too, or even multiple personal pensions.

These can be a useful alternative to workplace pensions if you're self-employed or not earning, or simply another way to save for retirement. Any UK resident between the ages of 18 and 75 can pay into a personal pension – although the earlier you invest, the more likely you are to be able to build up a substantial pension pot.

PENSION-RELATED TAX RELIEF

A private pension is designed to be a tax-efficient savings scheme. The Government encourages this kind of saving through tax relief on pension contributions. In the 2018/19 tax year, pension-related tax relief is limited to either 100% of your UK earnings, or £3,600 per annum. If you are a Scottish taxpayer, the tax relief you will be entitled to will be at the Scottish Rate of Income Tax, which may differ from the rest of the UK.

Basic rate taxpayers will receive 20% tax relief on pension contributions. Higher rate taxpayers also receive 20% tax relief, but they can claim back up to an additional 20% through their tax return. Additional rate taxpayers again pay 20% tax relief, but they can claim back up to a further 25% through their tax return. Non-taxpayers receive basic rate tax relief, but the maximum payment they can make is £2,880, to which the Government adds £720 in tax relief, making a total gross contribution of £3,600.

TAPERED ANNUAL ALLOWANCE

The Annual Allowance is the maximum amount that you can contribute to your pension each year while still receiving tax relief. The current annual allowance is capped at £40,000, but may be lower depending on your personal circumstances.

In April 2016, the Government introduced the tapered annual allowance for high earners, which states that for every £2 of income earned above £150,000 each year, £1 of annual allowance will be forfeited. The maximum reduction will, however, be £30,000 – taking the highest earners' annual allowance down to £10,000.

OVERALL TAX LIABILITY

Any contributions over the annual allowance won't be eligible for tax relief, and you will need to pay an annual allowance charge. This charge will form part of your overall tax liability for that year, although there is the option to ask your pension scheme to pay the charge from your benefits if it is more than £2,000. It is worth noting that you may be able to carry forward any unused annual allowances from the previous three tax years.

If you have accessed any of your pensions, you can only pay a maximum of £ 4,000 into any un-accessed pension(s) you have. This is called the 'Money Purchase Annual Allowance', or 'MPAA'. The MPAA applies only if you have accessed one of your pensions.

ACCESS YOUR PENSION

The lifetime allowance is the maximum amount of pension benefit that can be drawn without incurring an additional tax charge. From 6 April 2018, the lifetime allowance increase to £1,030,000.

What counts towards your lifetime allowance depends on the type of pension you have. We will be able to help you determine how much of your lifetime allowance you have already used up. This is important because exceeding the lifetime allowance will result in a charge of 55% on any lump sum, and 25% on any other pension income such as cash withdrawals. This charge will usually be deducted by your pension provider when you access your pension.

PENSION PROTECTION ADDITION

If you are concerned about exceeding your lifetime allowance, it may be possible to apply for pension protection. This could enable you to retain a larger lifetime allowance and keep paying into your pension, depending on which form of protection you are eligible for.

In addition to pension protection, if you have reached your lifetime allowance or are close to doing so, it may also be worth considering other tax-efficient vehicles for retirement savings, such as Individual Savings Accounts. In the current tax year, individuals can invest up to £20,000 into an Individual Savings Account.

SAVINGS TAX-EFFICIENTLY

The Lifetime Individual Savings Account, launched in April 2017, is open to UK residents aged 18 to 40 and will enable younger savers to invest up to £4,000 a year tax-efficiently. Any savings you put into the Individual Savings Accounts before your 50th birthday will receive an added 25% bonus from the Government. After your 60th birthday, you can take out all the savings tax-efficiently.

Finally, it is worth noting that there will normally be no tax to pay on pension assets passed on to your beneficiaries if you die before the age of 75 and before you take anything from your pension pot, as long as the total assets are less than the lifetime allowance. If you die aged 75 or older, the beneficiary will typically be taxed at their marginal rate. ◀

PLANNING FOR A SECURE AND ENJOYABLE RETIREMENT

While it is never too late to start thinking about your pension, the earlier you start, the better your prospects for a secure and enjoyable retirement. If you've got the benefit of living longer than your parents, and you want the same standard of living, it's important to have the correct plans in place. To review your options, please contact us.

INCOME SEEKERS

NOT PUTTING ALL YOUR EGGS IN ONE BASKET

Everybody has investment goals in their life, from the old adage of saving for a rainy day to planning a comfortable retirement. There are many reasons why investors might seek an income stream from their investments, for example, to pay for a dependant's education, supplement a pension or fund the cost of care, yet achieving it can be hard.

A 'do-it-yourself' approach may often seem attractive to some investors who buy a handful of dividend-paying stocks and receive the income from these. There are many companies that have long track records of consistent dividend payments, and these are often household name firms. However, it's important to diversify – it's the age-old cliché of not putting all your eggs in one basket.

CONSISTENT DIVIDEND PAYER

Just because a company has been a consistent dividend payer in the past does not mean it always will be in the future. Investors need to be sure that they have properly assessed the risks around a company (and its industry) in order to be confident that dividend payments can continue.

Conducting all the necessary research is a complex and time-consuming undertaking, so it's no surprise that many income investors prefer to leave the heavy lifting to a professional fund manager. Funds focused on equity income will invest in a range of stocks and will have a target income yield that they aim to deliver each year.

DIFFERENT TYPES OF FUND CHOICE

The theory is that holding a range of stocks leaves the overall portfolio less reliant on each individual company. If a few firms cut their dividends or see their share prices fall, hopefully others in the portfolio will offset this by raising their dividends or otherwise performing better than expected.

While there are many different types of fund to choose from, investors need to be wary of the limitations of focusing on a single region. A second reason in favour of diversification is that some regions have higher dividends than others.

GREATER DEPTH OF SECTOR OPPORTUNITIES

Some investors may prefer funds that invest in their home market. This has the advantage of eliminating currency volatility. But, it can mean missing out on the higher income or more diverse range of opportunities offered by other regions.

It's not just a wider group of individual companies that is available to global investors, but a greater depth of sector opportunities too. Therefore, by diversifying, you can hold a global equity income portfolio that avoids the sector skews of any one particular region. It can also help to mitigate potential currency volatility, as the various different currencies will rise and fall against each other at different times in the economic cycle.

MAINTAINING A BALANCED APPROACH

Investment strategies should often include a combination of various fund types in order to obtain a balanced approach to risk and reward. Maintaining a balanced approach is usually key to the chances of achieving your investment goals, while bearing in mind that at some point you will want access to your money. This makes it important to allow for flexibility in your planning.

Whatever your personal investment goals may be, it is important to consider the time horizon at the outset, as this will impact the type of investments you should consider to help achieve your goals.◀

EXPERT PROFESSIONAL ADVICE

For investors seeking to build a diverse portfolio, it's essential to receive expert professional advice on the best plans and funds to choose. To assess your investment goals, please contact us.

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.

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