PROTECT & GROW

SUMMER 2021 | ISSUE 07

SUSTAINABILITY MATTERS

Plan for a better tomorrow, today

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KINGSWOOD
PROTECT AND GROW YOUR WEALTH

RETIREMENT CLINIC

HOW MUCH OF YOUR WEALTH DO YOU CURRENTLY HOLD IN CASH?

If you are approaching retirement age, it's important to know your pension is going to finance your plans.

Pension legislation is extremely complex and it's not realistic to expect everyone to understand it completely. But, since we all hope to retire one day, it is important to get to grips with some of the basics.

It's particularly helpful to become aware of the things you may have thought were facts that are actually myths. Here are some examples.

MYTH: THE GOVERNMENT PAYS YOUR PENSION

Fact: The government pays most UK adults over the pension age a State Pension, which is currently:

- Retired post-April 2016 – max State Pension of £179.60 a week
- Retired pre-April 2016 – max basic State Pension of £137.60 a week (a top-up is available for some, called the Additional State Pension)

Not everyone is eligible for the full amount, which requires you to have at least 35 qualifying years on your National Insurance record. If you have less than ten qualifying years on your record, you'll receive nothing.

Even if you receive the full amount, you'll usually need to supplement it with your own pension savings.

MYTH: YOUR EMPLOYER PAYS YOUR PENSION

Fact: Most people are automatically enrolled into a workplace pension. Your employer is usually required to pay a minimum of 3% of your salary into it and you must also pay a minimum of 5% of your salary.

If you keep your contributions at the minimum level, it might be difficult to save enough for retirement. As life expectancies grow longer, your retirement can be almost as long as your working life. It's therefore important to put aside a portion of your earnings to create a pension pot that will enable you to receive the income and live the lifestyle you want during retirement.

MYTH: YOU CAN'T SAVE MORE THAN YOUR LIFETIME ALLOWANCE

Fact: There is a lifetime allowance on the benefits you can access from your pension, which is currently £1,073,100 (tax year 2021/22). That doesn't mean that you can't withdraw any more after that, but it does mean that you'll pay a tax charge of up to 55%. However, there are ways of withdrawing the money with a tax charge of 25%.

MYTH: YOUR PENSION PROVIDER'S DEFAULT FUND IS SUITABLE FOR EVERYONE

Fact: Most pension default funds will start out with a high-risk strategy and steadily move your capital into lower-risk investments, such as bonds and cash, as you get closer to retirement. This is to reduce volatility in the value of your investments so that you can have a higher degree of confidence in how much you'll eventually end up with.

If you don't plan to purchase an annuity, you don't necessarily need to reduce volatility before retirement. You may be leaving some of your money invested for several more decades, in which case a higher risk strategy may be more appropriate.

MYTH: ANNUITIES ARE OUTDATED

Fact: There was a time when almost everyone bought an annuity when they retired, and that time has passed because there are now alternative ways to access your pension savings.

But annuities still have a useful role for generating a retirement income and can be an appropriate product for some people. Unlike other pension withdrawal methods, such as drawdown, an annuity offers a fixed income for life, so there's no risk of your money running out. That's a crucial benefit for many pensioners.

MYTH: YOU CAN'T PASS ON A PENSION

Fact: If you've used your pension savings to purchase an annuity, the income from this will usually cease when you die. But if you have pension savings that you haven't used to buy an annuity (for example, if you've been taking an income through drawdown), what's left can be passed on to a loved one.

If you die before the age of 75 there will usually be no tax to pay by the beneficiary. Otherwise, they will need to pay Income Tax according to their tax band.

LOOK AFTER YOUR FUTURE

There's a whole lot to think about when you're planning for retirement. Is it worth paying into private or workplace pensions? Are you saving enough? Which investments should you choose? All these unanswered questions can make planning feel a little overwhelming. To review your situation or consider your options, please contact us – we look forward to hearing from you.

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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. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

WELCOME

WELCOME TO *Protect & Grow* magazine, Summer 2021 issue. The first half of 2021 has flown by and with lockdown restrictions recently lifted, we are really looking forward to seeing our clients face to face again and bringing our people back together.

Making provision for a secure future, be it for yourself, your family or your business, is one of the most important steps you will ever take. In this issue, the government has confirmed that it plans to increase the minimum pension age at which benefits under registered pension schemes can generally be accessed, without a tax penalty, from age 55 to age 57 commencing 6 April 2028.

The Treasury is consulting on how best to apply its decision to increase the age when people can start taking their private pension savings. The Normal Minimum Pension Age (NMPA) will increase in line with increases to the State Pension age. Turn to page 08.

Are you 'mid or late career' or planning to retire within ten years? If the answer's 'yes', then you probably want to know the answers to these questions: Will I be able to retire when I want to? Willl I run out of money? How can I guarantee the kind of retirement I want?

On page 10, we consider why, for many different reasons, planning for retirement is a commonly overlooked aspect of personal financial planning and this can often lead to anxiety as your age of retirement approaches.

When the time comes to access your pension, you'll need to choose which method you use to do so, with options including: buying an annuity, taking income through (flexi-access) drawdown, withdrawing lump sums or a combination of all of them. This is a complex calculation that must take into account the growth rate your investments might achieve, the eroding effects of inflation on your savings, and how long your savings will need to last. Read the article on page 12.

Building close relationships with our clients

As we evolve our business, one of our focus areas is to ensure that our clients are truly at the centre of our thinking, making things better, simpler and easier for our clients in everything that we do. Our key goal is to understand our clients' needs and help them plan for the life they want. Kingswood is on an exciting path. We hope you enjoy this quarter's edition of *Protect & Grow*.

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INSIDE THIS ISSUE

KINGSWOOD
PROTECT AND GROW YOUR WEALTH

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SUSTAINABILITY **MATTERS**

PLAN FOR A BETTER TOMORROW, TODAY

Responsible investment is a catch-all term to broadly describe funds that invest to make a positive change, either to the environment or for society. Within this umbrella term there are four broad investment approaches: ethical exclusion; responsible practice; sustainable solutions; and impact funds.

Increasingly more pension savers are asking where their funds are invested. Many are no longer just concerned about getting the best returns – they also want their money to be used in a way that helps society and the planet. The Department for Work and Pensions (DWP) is currently consulting on improving the governance, strategy and reporting of occupational pension schemes on the impact of climate change.

The growth of Environmental, Social and Governance (ESG) issues – from an increasing awareness of climate change, global responsibilities and social issues to investing in companies that act responsibly and prioritise making the economy cleaner, safer and healthier – is an important consideration for many investors.

Considerations within retirement portfolios

While ESG concerns have been gaining profile in the investment world for many years, there is reason to believe that there will continue to be a big shift toward these considerations within retirement portfolios and the coming transfer of wealth to sustainability-minded Millennials.

Eight out of ten people (83%)[1] think global warming will be a serious problem for the UK if action is not taken, and there is a lack of awareness about the extent to which pension funds are working to reduce the impact of climate change. In the survey, around half (51%) say global warming is 'extremely' or 'very' important to them.

Categories of criteria used to assess companies

However, there remains a lack of understanding among some savers as to how pension schemes are taking action against climate change. Three-fifths of workplace pension holders (59%) say they don't know if schemes are taking any action; just one in seven (15%) workplace pension holders think schemes are.

ESG refers to the three categories of criteria used to assess companies when investing responsibly: 'E' stands for 'environmental' factors, such as carbon emission and water management; 'S' stands for 'social' factors, such as employee welfare, diversity and inclusion; 'G' stands for 'governance' factors, such as business ethics and corruption.

Percentage of people's wealth in their pensions

The concept of ESG investing has existed for decades but has grown enormously in popularity over the last five years. While early adopters of this practice were often driven by moral or ethical concerns, over time the financial benefits of ESG investing have become clearer, which has encouraged mass adoption.

ESG investing is becoming increasingly popular, and many investors are choosing ESG funds for their Individual Savings Accounts (ISAs) and general investment portfolios. However, these accounts usually hold a lower percentage of people's wealth than their pensions.

Greater transparency around climate impact

The survey also found a number of people don't understand what pension schemes do with their money. Little more than two-thirds (68%) of the general population understand that pension schemes invest in a range of companies and other investments, and only one in five (22%) pension holders say they know the types of companies that their pension invests in.

Despite these knowledge gaps, when it comes to pensions there is still strong support for greater transparency around climate impact, in terms of the investments that are made and the way firms operate. Six in ten (62%) people think that pension schemes and other investors should hold those in charge of the companies they invest in to account for their efforts to minimise their impact on climate change.

Behave in a way that helps tackle climate change

Two-thirds (66%) think investors have a responsibility to encourage the companies they invest in to behave in a way that helps tackle climate change. A similar proportion (65%) think that financial services firms should report on the impact the companies they invest in have on climate change.

Around seven in ten people (68%) say that pension schemes should be transparent about the extent to which they invest in a climate-aware way. Seven in ten (69%) also want financial services firms to be transparent about the impact of their own operations on climate change.

“EIGHT OUT OF TEN PEOPLE (83%) THINK GLOBAL WARMING WILL BE A SERIOUS PROBLEM FOR THE UK IF ACTION IS NOT TAKEN”

LOOKING FOR MORE FREEDOM OVER HOW YOUR PENSION IS INVESTED?

Pension holders now have far more freedom over how their pension is invested than many realise. If you would like to ensure your pension is invested according to your preferences, including a preference for ESG investments, contact us for more information.

Source data:

[1] Research was conducted for the Pensions and Lifetime Savings Association (PLSA) by Yonder (formally known as Populus), an independent research agency. They achieved a nationally representative online sample of 2,082 UK adults aged 18+. The fieldwork was conducted between 25-26 November 2020.

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WILL YOUR PENSION **RUN OUT EARLY?**

IMPACT ON PEOPLE OPTING FOR EARLY RETIREMENT AS A RESULT OF THE PANDEMIC

An increasing number of people have been forced into early retirement due to the economic impact of the coronavirus (COVID-19), with many worried about how they'll make ends meet in the future. Because of the pandemic, we are currently in a challenging economic period. The global economy has taken over ten years to recover from the shock of the last financial crisis.

In a recent survey, the findings showed that 3% of people in the 55-64[1] age group have taken early retirement due to the coronavirus pandemic. And 4% of people in this age group have had to access some of their pension savings to cover living costs because their income has dropped due to redundancy or reduced pay. These percentages may seem small, but they represent hundreds of thousands of people.

Risks of early retirement

While early retirement may sound like a dream come true, for those with insufficient pension savings it can be a ticking time bomb. Every year of early retirement will have an impact on your pension, in that it represents both a year lost for saving and a year added for spending. Simply put, you'll need to make less money last longer.

Unless you've budgeted carefully and are sure you have enough savings, you could run the risk of your pension running out in your later years. This is an expensive time for many people, due to the cost of financing care, and that can result in unexpected hardship.

Planning for early retirement

If you're planning early retirement, you should consider the following steps:

- Calculate all your savings in different pension pots to find out what your total is.
- Track down any lost pensions from previous employers and add these to your total.
- Check how much of the State Pension you can expect to receive, and from what age.
- Create a budget for your retirement spending, making sure to include any additional future costs you're aware of and a little extra for future costs you're unaware of. Be honest about how much you'll need.
- Make sure that the total you have in pension savings, when combined with the State Pension you'll receive, is sufficient to cover all your future costs.

Alternatives to early retirement

If your financial situation is forcing you to withdraw from your pension but you're not ready yet to stop saving, there are ways to access your pension that do not affect your annual allowance and therefore allow you to continue contributing at the same rate in the future.

These include:

- Taking up to 25% of your savings as a tax-free lump sum (from a defined contribution pension)
- Accessing a defined benefit pension (if you have one)
- Withdrawing a pension pot worth under £10,000 in its entirety under 'small pots' rules
- Buying certain types of annuity

Can you afford to retire early?

We know that you work hard for your money, so you should be able to enjoy it as much as possible. When planning for retirement, there are now more choices available than ever before. By understanding precisely what you'll need to get to where you want to be, you can ensure you're prepared for the future.

So when working out if you can afford to retire early, your starting point should be to think about whether your savings and investments will be enough to cover all your outgoings, as well as all your essential living costs and any regular debt repayments you may have to make.

ANSWERING ALL THOSE BIG QUESTIONS

We can give you more information on any of these options and help you to choose the ones that are best for you. We'll answer all those big questions you might have: When can I retire? How can I make my money last? Should I take a lump sum? To find out more and discuss your options – please contact us.

Source data:

[1]https://www.lv.com/about-us/press/covid-pandemic-pushes-more-than-154000-into-early-retirement

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CONSCIENTIOUS INVESTOR

INVESTING TODAY TO HELP MAKE A BETTER TOMORROW

In a fast-changing world, sustainability is a growing concern for investors. Sustainable investing funds position investors to manage the risks associated with environmental, social and governance (ESG) factors, capture the opportunities and contribute to positive change.

The tremendous toll of the coronavirus (COVID-19) pandemic crisis – on health, economic wellbeing and everyday activity – has precipitated a widespread reassessment of the way we live our lives. For governments, businesses and investors, an essential question has been to understand the sources of resilience during this past year and how to build on them to prepare for any future crises.

Influencing positive changes

If you're someone who wants to make a positive difference, you might be interested to know how you, your money and the things you care about could all benefit from sustainable investing. At its core, ESG investing is about influencing positive changes in society by being a better investor.

Investment into ESG funds has been growing at an accelerating pace over the last five years. Recent research suggests that 9% of investors currently hold ESG investments[1], with 12% of investors saying they don't currently hold ESG investments but plan to in the next year. 17% say they are likely to make their first ESG investments in 2022 or later. These numbers suggest a snowballing rate of ESG investing adoption over the next few years.

Resistance to future crises

As the nation emerges from the COVID-19 pandemic and begins to rebuild the economy, there is the opportunity to rebuild based on new principles. ESG concerns can be embedded in the recovery, to create an economy with more resistance to future crises. Companies are also under growing pressure to report transparently on their ESG-related practices.

More people today understand the increasing importance of responsible investing in investment decisions and it's arguably the most important investment trend of recent decades. ESG strategies factor environmental, social and governance considerations into the investment process, with the goal of generating long-term, sustainable returns for investors.

Responsible investing is about 'doing the right thing', encouraging sustainability and contributing to positive, lasting change.

Environmental – Renewable energy, lower carbon emissions, water management, pollution control.
Social – Labour practices, human rights, data protection, selling practices, corporate supply chains.
Governance – Board makeup, corruption policies, auditing structure.

Approach responsible investing

There's no single, universal way to be a responsible investor, but these factors will enable the growth of ESG funds by giving investment managers more options to invest in, and improved ways to assess and monitor the ESG rating of an investment.

While ESG investing is an opportunity you might be eager to explore, there are some considerations. Your investments must align not only with your values but also with your growth expectations and risk appetite. As with any approach to investing, you should choose the funds that are right for you and obtain professional financial advice to understand the market you want to invest in.

LOOKING TO BOOST PORTFOLIO PERFORMANCE

It's a common misconception that investing responsibly means accepting lower returns but, increasingly, evidence says otherwise. Adding an ESG criteria could help boost portfolio performance. This investment ethos also delivers benefits beyond the bottom line and recognises that modern-day investment should be a matter of long-term ownership and sound stewardship. Speak to us for more information or to discuss your requirements.

Source data:

[1] OnePlanetCapital 09 March 2021

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“A MEMBER’S PROTECTED PENSION AGE WILL BE THE AGE FROM WHICH THEY CURRENTLY HAVE THE RIGHT TO TAKE THEIR BENEFITS.”

MINIMUM PENSION AGE **TO INCREASE**

AGE CHANGE TO WHEN PEOPLE CAN START TAKING PENSION SAVINGS

The government has confirmed that it plans to increase the minimum pension age at which benefits under registered pension schemes can generally be accessed, without a tax penalty, from age 55 to age 57 commencing 6 April 2028.

The Treasury is consulting on how best to apply its decision to increase the age when people can start taking their private pension savings. The Normal Minimum Pension Age (NMPA) will increase in line with increases to the State Pension age.

Unqualified benefits right

Members who currently have an 'unqualified right' to access their benefits under a registered pension scheme before age 57 and members of the armed forces, firefighters or police pension schemes will be permitted to retain their existing minimum pension age.

The government is planning to introduce a protection regime which would mean that an individual member of any registered pension scheme (occupational or non-occupational) who has an unqualified right – for example, without needing the consent of their employer or the trustees – under the scheme rules at the date of the consultation to take pension benefits at an age below 57 will be protected from the increase in 2028.

Protected pension age

A member's protected pension age will be the age from which they currently have the right to take their benefits. The protected pension age will be specific to an individual as a member of a particular scheme. So an individual could have a protected pension age in one scheme where they have a right to take pension benefits at an age below 57, but for schemes where no such right exists the new NMPA of 57 will apply from 2028.

It will also apply to all the member's benefits under the relevant scheme, not just those benefits built up before April 2028. Individuals with an existing protected pension age under the 2006 or 2010 regimes will see no change in their current protections.

Associated pension schemes

In recognition of the special position of members of the armed forces, police and fire services, the government is proposing that, where members of the associated pension schemes do not already have a protected pension age, the increase in the NMPA will not apply to them.

Individuals who do not have a protected pension age who access their pension benefits before age 57 after 5 April 2028 would be subject to unauthorised payments tax charges.

Pension tax rules on ill-health

There will be no need for individuals or schemes to apply for a protected pension age. This is in line with the approach taken under the existing protected pension age regimes. The government is not proposing to make any changes to the current pension tax rules on ill-health as part of this NMPA increase.

Unlike the protection regime introduced in 2006, where individuals are entitled to a protected pension age in relation to the increase in NMPA from 2028, they will be able to draw benefits under their scheme even if they are still working.

Scheme benefits crystallised

In addition, currently, if an individual wants to use their protected pension age, then all their benefits under the scheme must be taken (crystallised) on the same date. However, considering the pension flexibilities introduced in 2015, the government proposes that this requirement will not be a condition of the 2028 protected pension age regime.

This would mean, for example, that an individual with a defined contribution pension with a protected pension age of 55 would be able to allocate some of their pension to a drawdown fund, and at a later date use the remainder to purchase an annuity, without losing their protected pension age.

Normal minimum pension age

The government's position remains that it is, in principle, appropriate for the NMPA to remain around ten years under State Pension age, although the government does not intend to link NMPA rises automatically to State Pension age increases at this time.

The announcement means that there is the potential for some people to be caught in the middle, being able to access their pension at 55 prior to April 2028, but having to wait until they turn 57 to access any untouched pension funds after this date where they don't qualify for protection.

PLANNING FOR THE RETIREMENT YOU WANT

This announcement may, in particular, have an impact on the timing for taking your pension benefits. It's never too early to be planning ahead. To discuss how we can help you plan for the retirement you want, please contact us.

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BOOST YOUR PENSION SAVINGS

PLANNING TO ACHIEVE YOUR RETIREMENT GOALS SOONER

Are you 'mid or late career' or planning to retire within ten years? If the answer's 'yes', then you probably want to know the answers to these questions: Will I be able to retire when I want to? Will I run out of money? How can I guarantee the kind of retirement I want?

But, for many different reasons, planning for retirement is a commonly overlooked aspect of personal financial planning and this can often lead to anxiety as your age of retirement approaches. We've provided four ways to boost your pension savings and help you achieve your retirement goals sooner.

Review your contributions

Sometimes the simplest solutions are the most effective. If you want to boost your retirement savings, the simplest solution is to increase your contributions. You may think you can't afford to, but even a slight increase can make a big difference.

For those lucky enough to receive a pay rise in line with inflation every year, increasing your pension contributions by just 1% could add thousands to your eventual pension pot. The reason why a relatively small increase in pension contributions can result in such a large increase in the value of your pension pot is because of the power of compounding.

The earlier you invest your money, the more you benefit from the effects of compounding. Adding more money to your pension pot by increasing your contributions just makes the compounding effect even better.

Review your strategy

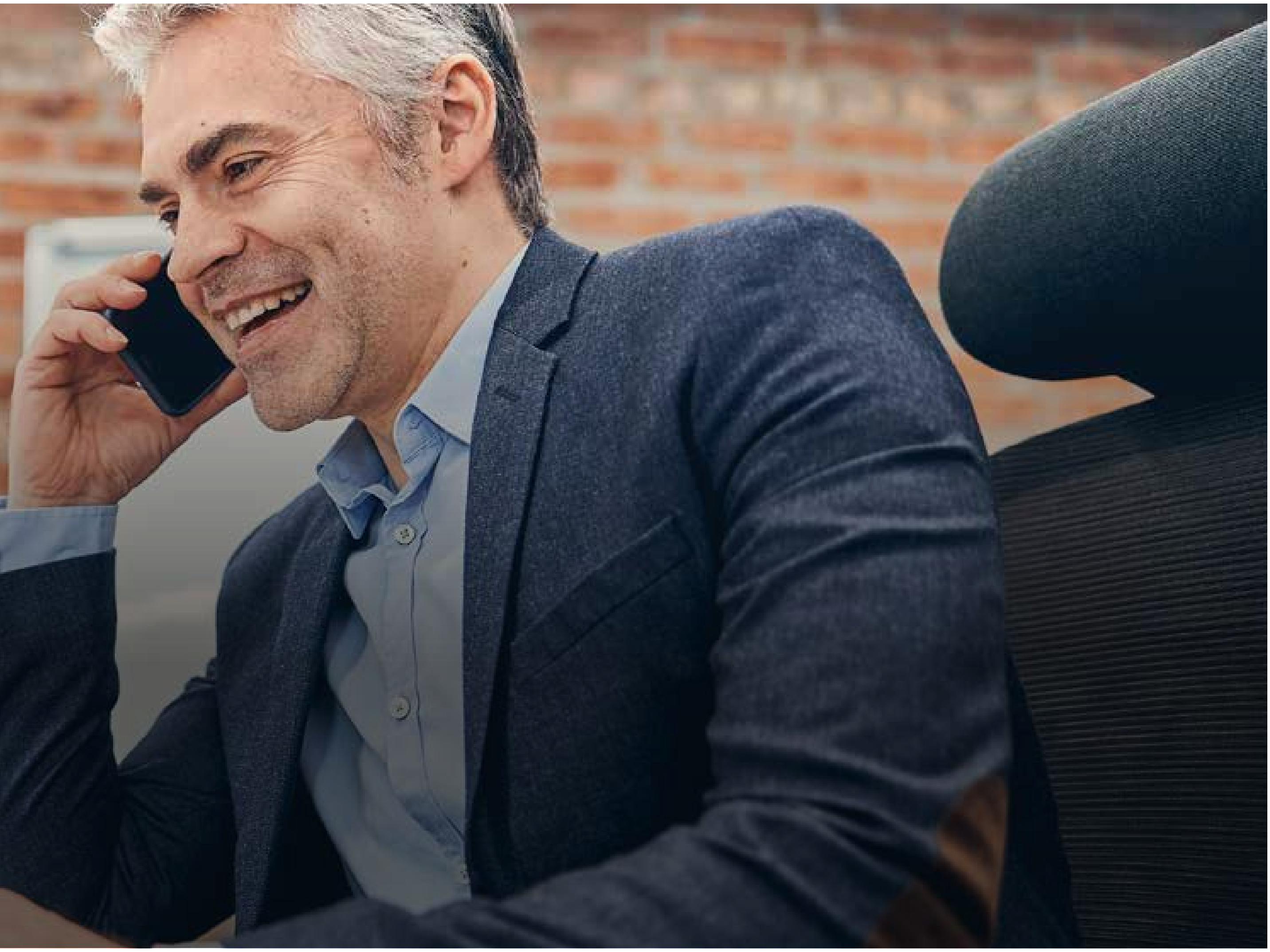
A missed opportunity for many pension holders is failing to choose how their pension is invested. Some people leave this decision in the hands of their workplace or pension provider.

Firstly, you should know that you don't have to hold a pension with the provider your employer has chosen. You can ask them to pay into a different pension, allowing you to choose the provider while considering the type of funds they offer and the fees they charge.

Secondly, many pension providers will give you several options for investment strategies. If you're in the default option, you could achieve higher returns with a different strategy (though this will usually mean taking on more investment risk). Note that this may not be appropriate in all circumstances, particularly if you are close to retirement.

Know your allowances

When you save in a pension for your retirement, the government adds tax relief on top of the money you contribute, helping you to grow your savings faster. However, there's a limit to the amount of contributions you can claim tax relief on each year, which is called your 'annual allowance'. It's currently £40,000 (tax year 2021/22), and in some cases may be lower.



If you want to contribute more than your annual allowance into your pension in one tax year (for example, if you've received a windfall and want to put it aside for the future), it's worth knowing that you can use any unused allowance from up to three previous years.

So, if you have £10,000 of unused allowance in each of the past three years, that's another £30,000 you can claim tax relief on this year. The tax relief on this amount would be at least £7,500, depending on your tax band.

Trace lost pensions

Usually, starting a job with a new employer means starting a new pension. And, when that happens, some people may overlook the pension they had with their last employer. As a result, many people have pensions with previous employers that they've lost track of – and rediscovering them can give a huge boost to your retirement savings.

You can trace old pensions by getting in touch with the provider. Look through any documentation you still have from your past employers to see if you can find your pension or policy number. If you can't, you can contact the provider anyway and they should be able to find your pension by using other details, such as your date of birth and National Insurance number.

If you're not sure who the provider is, start by asking your previous employer.

WILL YOU ACHIEVE THE RETIREMENT YOU DESERVE?
When the future is unclear, the thought of retirement may well feel more daunting than exciting. We'll advise you on how to build the wealth you need to achieve the retirement you deserve. Don't leave it to chance – to discuss your requirements, please talk to us.

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RETIREMENT OPTIONS

WHAT CAN YOU DO WITH YOUR PENSION POT?

When the time comes to access your pension, you'll need to choose which method you use to do so, with options including: buying an annuity, taking income through (flexi-access) drawdown, withdrawing lump sums or a combination of all of them.

There are advantages and disadvantages to each method, and in some cases your decision is permanent, so it's important to ensure that you obtain professional financial advice when considering your different options.

This is a complex calculation that must take into account the growth rate your investments might achieve, the eroding effects of inflation on your savings, and how long your savings will need to last.

Annuities – guaranteed income for life

Annuities enable you to exchange your pension pot for a guaranteed income for life. They were once the most common pension option to fund retirement. But changes to the pension freedom rules have given savers increased flexibility.

You can normally withdraw up to a quarter (25%) of your pot as a one-off tax-free lump sum, then convert the rest into a taxable income for life – an annuity. There are different lifetime annuity options and features to choose from that affect how much income you may receive. You can also choose to provide an income for life for a dependent or other beneficiary after you die.

Flexible retirement income – pension drawdown

When it comes to assessing pension options, flexibility is the main attraction offered by income drawdown plans, which allow you to access your money while leaving it invested, meaning your funds can continue to grow.

This option normally means you take up to 25% of your pension pot, or of the amount you allocate for drawdown, as a tax-free lump sum, then re-invest the rest into funds designed to provide you with a regular taxable income.

You set the income you want, though this might be adjusted periodically depending on the performance of your investments. You need to manage your investments carefully because, unlike a lifetime annuity, your income isn't guaranteed for life.

Small cash sum withdrawals – tax-free

This is an important consideration for those weighing up pension options at age 55, the earliest age at which you can take up to 25% of your pension pot tax-free. You should ask yourself whether you really need the money now. If you can afford to leave it invested until you need it then it has the opportunity to grow further.

For each cash withdrawal, the remaining counts as taxable income and there could be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year. With this option your pension pot isn't re-invested into new funds specifically chosen to pay you a regular income and it won't provide for a dependant after you die.

There are also more tax implications to consider than with the previous two options. So, if you can, it may make more sense to leave it to grow so you can enjoy a larger tax-free amount in years to come. Remember, you don't have to take it all at once – you can take it in several smaller amounts if you prefer.

Combination – mix and match

Of all the pension options, if appropriate to your particular situation, it may suit you better to combine those mentioned above. You might want to use some of your savings to buy an annuity to cover the essentials (rent, mortgage or household bills), with the rest placed in an income drawdown scheme that allows you to decide how much you can afford to withdraw and when.

Alternatively, you might want more flexibility in the early years of retirement, and more security in the later years. If that is the case, this may be a good reason to delay buying an annuity until later in life.

The value of retirement planning advice

There will be a number of questions you will need answers to before deciding how to use your pension savings to provide you with an income. These include:

- How much income will each of my withdrawals provide me with over time?
- Which withdrawal option will best suit my specific needs?
- How much money can I safely withdraw if I choose flexi-access drawdown?
- How should my savings be invested to provide the income I need?
- How can I make sure I don't end up with a large tax bill?

> **ENSURE THAT YOU OBTAIN PROFESSIONAL FINANCIAL ADVICE WHEN CONSIDERING YOUR DIFFERENT OPTIONS.**

HOW MUCH ARE YOU SAVING FOR YOUR RETIREMENT?

We can advise on your retirement planning, whether you are in the process of building your pension pot or getting ready to retire. Working closely with you, we will identify what you want from your pension and develop a structure that meets your requirements. To find out more, contact us to discuss your options.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE 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. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS-TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

STEPS TOWARDS A BETTER FINANCIAL FUTURE

GROW, PROTECT AND TRANSFER YOUR WEALTH

Financial planning is a step-by-step approach to ensure you meet your life goals. Your financial plan should act as a guide as you move through life's journey. Essentially, it should help you remain in control of your income, expenses and investments so you can manage your money and achieve your goals.

Life rarely stands still. Priorities shift, circumstances change, opportunities come and go and plans need to adapt. But regular discussion and reviews are the key to keeping on top of things. This means adapting your plans when things change, to keep you on course.

HERE ARE SIX QUESTIONS TO ASK YOURSELF TO ENJOY A BETTER FINANCIAL FUTURE.

1. What are my financial goals?
Generally, people's financial goals change as they progress through different life stages. Here are some themes which might help you consider your own goals:

- In your twenties, you may want to focus on saving for large purchases, such as a car, wedding or your first home
- In your thirties, you may be planning for your family, perhaps school fees or your children's future
- In your forties, your focus may move to retirement planning and growing your wealth
- In your fifties, paying off your mortgage and feeling financially free is likely to be a priority
- In your sixties, it is usually about making sure you have enough money to retire successfully
- In your seventies, your attention may turn to inheritance planning and later-life care

Other plans may also include starting your own business, buying a second home or travelling the world. Of course, everyone is different, so you might have a goal in mind we haven't mentioned.

2. Are my goals short, medium or long term?
You are likely to have a mixture of short-term (less than three years), medium-term (three to ten years) and long-term (more than ten years) goals. Moving to a larger property might be a short-term goal, while saving for your children's university fees might be a medium-term goal and retirement planning a long-term goal (depending on your life stage).

You'll need different strategies, and different saving and investment risk levels, for each of these goals.

3. How hard is my money currently working?
If your cash is currently in a savings deposit account, the interest rate you'll likely be receiving is probably not going to be sufficient to keep your money growing as quickly as inflation is rising over the longer term. So your savings could eventually lose buying power in real terms over the years ahead.

If you want your money to grow faster, you might want to consider allocating a portion of your savings towards investments. This may involve more risk than a savings account, but the amount of risk involved will be dependent on you and what you are looking to achieve, so you decide. Obtaining professional advice will ensure you choose investments at a risk level that suits your preferences.

4. Have I paid off my debts?
It's not always wise to start investing if you have debts that you need to pay off (excluding long-term debts like student loans and mortgages). That's because overdrafts, credit cards and other short-term debts can charge you more in interest than you could expect to gain in investment returns. In most instances, it will benefit you more in the future to become debt-free before you start to grow your wealth.

5. Am I making the most of my tax-efficient allowances?
All UK taxpayers receive certain allowances to help with saving and investing. For example, you may already have an Individual Savings Account (ISA) and be taking advantage of your annual allowance. You also have a capital gains allowance, a dividends allowance and a pension annual allowance. All of these will help you to grow your wealth faster, if you know how to use them.

Tax allowances can be complex though, and they can change without much notice, so if you're not careful you risk an unexpected tax charge. If in doubt, talk us to review your options.

6. What are my retirement plans?
A key factor in any financial plan is the date you plan to retire, as that typically marks a turning point from accumulation of wealth built up throughout your working life to the reduction of wealth as you start to spend your savings and pass your assets on to loved ones. Ensuring that those two elements of your life are well balanced is an important part of the financial planning process.

ARE YOU PLANNING WITH PURPOSE?
Once you've answered these six questions for yourself, your financial plan will start to take shape. But you might still have more questions about how to reach a particular goal, how to reduce a potential tax bill, how to invest without taking on too much risk, how to pay off your debts or how much money you'll need to retire successfully, in which case we can help. Please speak to us – we look forward to hearing from you.

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GRANDPARENTS, GRANDCHILDREN AND MONEY

SHARING YOUR WEALTH DURING YOUR LIFETIME CAN MAKE A BIG DIFFERENCE

With all of us leading longer lives, you might be considering how you can help your family when it matters most. Sharing your wealth during your lifetime can make a big difference and bring you a lot of joy, particularly when helping younger generations who are dealing with rising house prices and university fees.

After you've determined how much you can afford to give, there's a simple starting point. What exactly do your grandchildren need, and when do they need it?

The right way to give presents for your grandchildren can vary depending on how old they are, and whether you're concerned about turning over a sizeable amount of money to a child who may still be impressionable.

YOUNGER GRANDCHILDREN

1. Junior Individual Savings Account (JISA)
If your grandchild is under the age of 18, you might put money into their JISA account. While you won't be allowed to open one on their behalf, you will be able to donate up to their annual JISA limit, which is £9,000 for the 2021/22 tax year.

The benefit of the JISA is that they can't touch the money until they turn 18 – after that, it's theirs to use as they choose. The funds may be stored in cash, invested in securities, or a mixture of both. Investment growth is tax-efficient in a Stocks & Shares ISA, while a Cash ISA's interest is tax-free. If you put money away for 18 years, it might grow into a sizeable amount, but the value of any investment will go up and down.

2. Child's bank account
Alternatively, a child's savings account is a convenient and easy place for families and friends to deposit money for smaller presents. Keep in mind, though, that savers' rates have been poor in recent years and over time, inflation can reduce the value of the savings, because prices typically go up in the future.

OLDER GRANDCHILDREN

1. Lifetime Individual Savings Account (LISA)
If your grandchild is 18 or older, a LISA will be able to assist them in saving for their first home. If they turned 40 on or before 6 April 2017 they won't be eligible. Only first-time buyers can use a LISA to buy property under age 60.

For every £4 saved, the government will add £1 (worth up to £1,000 every tax year until they turn 50 years old). Up to £4,000 a year is eligible for the 25% bonus (they can add more but it won't receive a government contribution).

The bonus is paid every month, so they benefit from compound growth. They can invest in either cash or stocks and shares and this forms part of their overall annual ISA limit, which is £20,000 in tax year 2021/22.

Would you like the reassurance of some control?
It's understandable to be concerned about giving too much money to grandchildren too young. You might like to have a say in where your money is spent and where it is spread. Putting a gift into trust will alleviate concerns over giving substantial sums to grandchildren before they have reached financial maturity and it can provide grandparents with the leverage they want.

You maintain some control of the assets and to whom and where they are paid as a trustee, and gifts to the trust will lower the estate for IHT. Giving money to your grandchildren may eventually affect the way your estate is taxed, so it's important to obtain professional advice before doing this.

Plan ahead for a brighter future for all
There's a lot grandparents can do today, with a little extra thinking and forward planning, to ensure that the money donated goes towards ensuring a brighter future for your loved ones – when you're still alive to enjoy it.

GIVING YOUR LOVED ONES FINANCIAL GIFTS
If you're unsure about the best approach for you, talk to us to discuss your options. Please contact us for more information.

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FUNDING YOUR CHILD'S FUTURE LIFESTYLE!

EARLY PREPARATION IN LIFE IS KEY TO BECOMING FINANCIALLY INDEPENDENT

As the coronavirus (COVID-19) pandemic continues into a second year, we're learning more and more about its financial impact. While many individuals and families are struggling up and down the country, there is a particular strain placed on the parents of adult children.

A recent survey showed that 50% of adults with children over the age of 18 have provided financial help to them due to the pandemic[1]. Children may be staying in the family home for longer, since universities are unable to operate as they usually would, and some young people have decided to postpone their studies.

YOUNG PROFESSIONAL LIFESTYLE

Those who have finished their degrees, who might usually migrate to city centres for a taste of the young professional lifestyle, are instead moving back in with their parents until this becomes a viable option again.

Young workers who are inexperienced or unskilled may struggle to secure their first job or may be particularly vulnerable to redundancy. Even if they are not living at home, they may have needed to seek support from older family members.

PROVIDING FINANCIAL HELP

As most forms of entertainment were closed for a significant portion of the last year, many young adults have seen their spending drop. But their costs still potentially included rent, utilities, phone bills, food and petrol. Many also turned to their parents for help to buy equipment they needed to work or study at home, such as computers.

The survey highlighted that some parents who have provided financial help have spent an average of more than £400 a month.

HIGHER HOUSEHOLD COSTS

Adults over the age of 30 have been less likely to need financial help. 43% of parents with children aged over 30 reported that they were helping them financially, compared to 61% of parents with children aged 18-29.

But the cost of helping someone who is older has been higher. Those parents who have been providing support to the over-30s spent, on average, more than £500 a month. These adult children are less likely to be living with their parents and tend to have higher household costs.

RANKED BY SPENDING

Some parents have offered far more than the average of around £1,300 in support. The top 2% of parents, when ranked by their spending, have parted with over £3,300 monthly. This includes help with their children's everyday expenses, contributions to savings accounts and pensions, and potentially help to rent or buy a home. Many parents have been prepared to offer this level of financial support to adult children if they've been able to.

If you have found yourself in this position you may need to examine your budget carefully and ensure that your other financial priorities, such as paying off debts or saving for retirement, are not suffering as a result. Preparing your children early in life to be financially independent is essential. If not, your retirement plans may need to include funding your child's future lifestyle!

TIME TO TAKE STOCK OF YOUR SITUATION?

The coronavirus pandemic has impacted both the physical and financial health of many families. If your finances have been blown off course and you would like to take stock of your situation, please contact us to review where you are.

Source data:

[1] https://www.lv.com/about-us/press/1-in-50-parents-spend-over-10k-supporting-grown-up-children-in-pandemic

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