PROTECT & GROW

SUMMER 2023 | ISSUE 15

PRINCIPLES OF GROWING **YOUR MONEY**

Investing could help you beat inflation and build a nest egg for the future

ALSO INSIDE THIS ISSUE

PASSING ON ASSETS TAX-EFFICIENTLY
How to ensure that your wealth is preserved for future generations

EARLY BIRD INVESTORS
Does the early bird get the ISA worm?

BUILDING UP MORE TAX-FREE MONEY IN YOUR PENSION
Changes present significant opportunities for various individuals

KINGSWOOD
PROTECT AND GROW YOUR WEALTH

WELCOME

WELCOME TO the Summer issue of Protect & Grow from Kingswood.

Investing can be an intimidating and complex topic, but it doesn't have to be with professional financial advice. Understanding the basic truths of investing will help you make better decisions, regardless of how much money you may or may not have. On page 10 we consider how by understanding these principles, you'll be one step closer to achieving your long-term goals. And the best part? The longer you are invested, the more time there is for your investment returns to compound.

Are you concerned about the impact of Inheritance Tax (IHT) on your estate? It's natural to want to leave behind a legacy for your loved ones, but without the right plan in place, a significant portion of your wealth could be subject to Inheritance Tax. With IHT affecting more and more families, it's crucial to be proactive and plan accordingly. On page 12 we look at the steps you can take to reduce the impact of IHT on your estate.

When making contributions to your pension, it's important to keep in mind that there's a limit to how much you can contribute each year without incurring additional taxes. This limit is known as the pension Annual Allowance. On 6 April 2023, new pension legislation came into effect, presenting significant opportunities for various individuals. Among other things, the pension Annual Allowance increased from £40,000 to £60,000. Read the full article on page 16.

If you're an investor looking to maximise your Individual Savings Accounts (ISA) returns, it's worth considering investing your ISA allowance as early as possible each year, as soon as it becomes available on 6 April. Turn to page 04 to find out why this will not only help ensure that your money is protected from taxes right off the bat, but it also means that your investment has more time to grow in the market. This can result in a bigger ISA pot in the long run.

Looking for a solution specifically created to fit your unique needs and goals?

At Kingwood, we understand that wealth management involves more than just investment management expertise. That's why we offer a comprehensive and individualised solution that combines the benefits of both financial planning and investment management. Our wealth management advice service is designed to support individuals who need help in both areas, with solutions specifically created to fit your unique needs and goals. For more information or to find out more, please contact us.

INSIDE THIS ISSUE

03
PROFESSIONAL FINANCIAL ADVICE MATTERS
Making informed decisions about how to best allocate your resources

04
EARLY BIRD INVESTORS
Does the early bird get the ISA worm?

06
I HAVE A WILL, SO WHY DO I NEED A LASTING POWER OF ATTORNEY?
Making decisions in relation to your financial affairs, health and welfare

07
FINANCIAL WELLBEING
More than 24.5 million people are financially disengaged

09
SECURING AN INCOME STREAM FOR THE REST OF YOUR LIFE
Deciding what to do with your pension fund can be a complex decision

10
PRINCIPLES OF GROWING YOUR MONEY
Investing could help you beat inflation and build a nest egg for the future

12
PASSING ON ASSETS TAX-EFFICIENTLY
How to ensure that your wealth is preserved for future generations

14
GENDER PENSION GAP
Gap in pension benefits between men and women widens

15
THINK OF LIFE INSURANCE LIKE A SAFETY NET
Make sure your dependents have the money they need if you were no longer around

16
BUILDING UP MORE TAX-FREE MONEY IN YOUR PENSION
Changes present significant opportunities for various individuals

Kingswood Group, 10-11 Austin Friars, London, EC2N 2HG • Tel: 020 7293 0730
Email: info@kingswood-group.com • Web: www.kingswood-group.com

PROFESSIONAL FINANCIAL ADVICE MATTERS

MAKING INFORMED DECISIONS ABOUT HOW TO BEST ALLOCATE YOUR RESOURCES

Financial planning is a crucial step towards achieving financial freedom and security. By taking the time to thoroughly evaluate your needs and personal goals, you'll be able to make informed decisions about how to best allocate your resources.

With a comprehensive professional financial plan in hand, you'll have the confidence and peace of mind to pursue your short-term goals and work towards your long-term future. With professional guidance, you'll be inspired to realise that you have far more resources at your disposal than you ever imagined.

BETTER EQUIPPED

According to a recent study, UK consumers who receive professional financial advice can expect to retire on average three years earlier than those who do not seek professional advice, with advised consumers planning for retirement at age 66 as opposed to non-advised consumers who expect to retire at 69[1].

This underlines the positive impact that professional financial advice can have on retirement preparations, with those who seek advice feeling better equipped for their later years. The study identified that twice as many people who seek financial advice create a detailed spending plan in retirement compared to those who don't take advice, with 45% of advised people falling under this category as opposed to 18% of non-advised consumers.

ENJOYING RETIREMENT

Financially advised consumers expect to fund their retirement for a longer period, with an average of 23 years, compared to 17 years for non-advised people before pertinent cutbacks must be made. In addition, the study reveals that financial planning tends to be beneficial for people already in retirement.

Almost all (96%) of wealthy retirees who did a great deal of financial planning or just planned their finances slightly say they're enjoying their retirement, dropping to 72% among those who have done no financial planning.

MORE PRONOUNCED

Regrets for non-advised retirees are more pronounced, with the majority stating that they require more money in retirement compared to their original estimates, and that they wished they had planned more thoroughly, compared to advised people.

Despite having a higher household income, 23% of wealthier pensioners, with an income of between £40,000 and £49,999, wished they had planned more thoroughly, indicating that the value of advice remains consistent regardless of income.

SIGNIFICANT VARIATION

Planning for retirement can be overwhelming, leading to several considerations, making financial advice crucial for people to feel more confident and prepared about their future. The research results underscore the significant variation between the retirement plans and experiences of those who have taken advantage of financial advice and those who haven't.

The research findings demonstrate the value of professional financial advice in terms of the retirement age and the enjoyment of one's retired life. So start planning today, and take the first step towards a brighter tomorrow. ■

ANY CONCERNS ABOUT YOUR FINANCIAL FUTURE, OR WOULD YOU LIKE TO FIND OUT MORE?
Financial planning can certainly feel complicated at first glance, but with the right guidance, it can be a smooth and stress-free process. At every step of your financial planning journey, we're dedicated to providing you with the knowledge, resources and support you need to make informed decisions about your finances. If you have any concerns about your financial future or would like to find out more, please contact us.

Source data:

[1] Boxclever conducted research for Standard Life among 6,000 UK adults. Fieldwork was conducted between 6 Sept–16 October 2022. Data was weighted post-fieldwork to ensure the data remained nationally representative on key demographics. Comparisons to data from last year are taken from Boxclever research among 4,896 UK adults conducted between 16–23 July 2021.

EARLY BIRD **INVESTORS**

DOES THE EARLY BIRD GET THE ISA WORM?

If you're an investor looking to maximise your Individual Savings Accounts (ISA) returns, it's worth considering investing your ISA allowance as early as possible each year, as soon as it becomes available on 6 April. Not only will this help ensure that your money is protected from taxes right off the bat, but it also means that your investment has more time to grow in the market. This can result in a bigger ISA pot in the long run.

Of course, this strategy may not be right for everyone, and there are risks to investing in the market. It's important to carefully consider your investment goals, risk tolerance and overall financial situation before making any investment decisions. However, for many investors, investing their ISA allowance early on can be a smart move that pays off over time.

HIGHLY EFFICIENT WAY TO PROTECT INVESTMENTS FROM TAX

An Individual Savings Accounts (ISA) is a highly tax-efficient way for people to protect their investments from tax. In the 2022/23 tax year, everyone in the UK had an annual Capital Gains allowance of £12,300, which was reduced to £6,000 in the Autumn Statement on 17 November 2022. This will reduce further to £3,000 from April 2024.

However, when you invest into an ISA, you can enjoy tax-efficient returns and don't need to declare any interest from an ISA or any income or capital gains made from it when completing your annual tax return.

MAKE SURE YOU USE YOUR FULL ISA ALLOWANCE

The maximum amount that can be invested into an ISA in the 2023/24 tax year is £20,000. This allowance hasn't changed since April 2017 when it was increased from £15,240 and is higher than the £7,000 maximum allowance offered in 2008. However, any unused allowance will not carry over to the next tax year, meaning that it's essential to make sure you use your full ISA allowance during the current tax year if possible.

Investing early can certainly offer many benefits, including an extra year of tax-sheltered growth. However, it's important to be aware that investing outside of an ISA can come with tax risks. The halving of the dividend tax allowance this tax year means that you may end up paying tax on dividends earlier in the year if you hold investments outside of an ISA.

TAKE ADVANTAGE OF POUND COST AVERAGING

Starting an ISA early in the tax year provides many benefits when investing, particularly when it comes to setting up regular monthly payments into a Stocks & Shares ISA. By doing so, you can take advantage of pound cost averaging, which is a process of drip-feeding money into an investment over time in order to reduce the impact of market ups and downs.

The idea behind pound cost averaging is that when you invest a fixed sum every month, you'll buy more units when an investment's price falls, which can provide the potential for greater profits if they then rise.

ESTABLISHING A REGULAR INVESTMENT PLAN EARLY ON

Of course, the opposite can also be true – if prices rise, you'll buy less. However, over time, pound cost averaging can help

to smooth out the ups and downs in an investment's value, reducing the risk of dramatic swings in your portfolio.

By establishing a regular investment plan early on, you'll also be able to take advantage of the full tax year for your investments, allowing you to spread your investments across the entire year. This can help to reduce the risk of investing all of your money at a time when the market may be overvalued.

GOOD NEWS IS THAT YOU CAN TRANSFER YOUR ISA

Transferring an existing ISA could also be a practical option if you're looking for a more competitive deal or want to consolidate your investments. The good news is that you can transfer your ISA at any point during the tax year, but it's essential to take note of some things before you do.

For instance, you need to transfer the whole ISA, so you cannot partially transfer your existing Stocks & Shares ISA for the current tax year. It's wise to check with your current provider if they impose fees for transferring out. Taking this step can help you avoid unnecessary costs and ensure that you get the most out of your investment.

CONSISTENTLY MAX OUT YOUR ISA ALLOWANCE EACH YEAR

The old adage holds true when it comes to investing: time in the market is more important than timing the market. This means that the longer your money is invested, the more time it has to grow and potentially compound over time.

Investing in an ISA can be a great way to grow your savings pot beyond the limits of a tax-efficient allowance. It's important to consistently max out your ISA allowance each year, if affordable, and enjoy generous investment returns. Even if you don't have a large lump sum to invest, you can still benefit from regular, small contributions from the beginning of the new tax year. So start saving and investing today and see how far you can go! ■

READY TO PUT YOUR 2023/24 ISA ALLOWANCE TO WORK NOW?

If you're considering using your ISA allowance this year, don't wait until the last minute. Invest early and give yourself the best chance of maximising your returns. Whatever your investment goals, we'll help you to grow your wealth in a way that's right for you. So why wait? Let us help you make the most of your ISA allowance today. To find out more please contact us.

This article does not constitute tax or legal advice and should not be relied upon as such. tax treatment depends on the individual circumstances of each client and may be subject to change in the future. for guidance, seek professional advice.

The value of your investments (and any income from them) can go down as well as up, so you could get back less than you invested. past performance is not a reliable indicator of future performance.

The financial conduct authority does not regulate taxation and trust advice. trusts are a highly complex area of financial planning.

I HAVE A WILL, SO WHY DO I NEED A LASTING POWER OF ATTORNEY?

MAKING DECISIONS IN RELATION TO YOUR FINANCIAL AFFAIRS, HEALTH AND WELFARE

It is critical to consider the potential consequences of not having a Lasting Power of Attorney (LPA) in place. Many people assume that their loved ones or close relatives will automatically have the authority to make decisions on their behalf. However, this is not the case, and without a LPA, those close to you will not have the legal authority to handle your financial affairs, health decisions and welfare.

Setting up a LPA is vital to ensure that you have a trusted individual who can manage your affairs when you are no longer able to do so yourself. It is essential to think about these scenarios in advance and plan accordingly by setting up a LPA. This legal document will ensure that your wishes are respected and carried out, regardless of your capacity to make sound decisions.

COSTLY AND TIME-CONSUMING MEASURES

Despite the fact that 95% of UK adults are aware of the LPA, a recent study has revealed that only one in three (33%) actually know how to use it effectively, leaving a considerable proportion at risk of costly and time-consuming measures if they were to lose their spouse[1].

LPA is a legal document that enables you to delegate decision-making authority to one or more trusted individuals to manage your financial matters, property affairs, health and welfare. You can set up a LPA at any time, provided you meet the age requirement of 18 years and have the mental capacity to make sound decisions.

BENEFICIAL IN LONG-TERM SITUATIONS

There are several benefits to having a LPA, including assistance in temporary situations such as hospitalisation or travel abroad, where you may need help with daily tasks like paying bills. It is also beneficial in long-term situations where you want to plan for the unexpected or have been diagnosed with an illness like dementia that may affect your decision-making abilities in the future.

According to the research, although three-quarters (74%) of Britons deem LPA necessary, only 37% of them have actually put it in place. In contrast, around three-quarters (76%) of people in relationships have discussed Wills and trusts with their spouse.

SAME-SEX MARRIED COUPLES

The research also highlighted that less than half (41%) of married couples have enacted LPA, and a quarter (24%) have no plans for doing so, which suggests that many couples view this measure as unnecessary, and often mistakenly believe that LPA is automatically granted to married couples.

Notably, this issue disproportionately affects same-sex married couples, where awareness of the importance of LPA is higher than the population average (87% compared to 76%), but uptake is lower (30% compared to 41%). ■

NEED ADVICE AND EXPERTISE ON EVERY ASPECT OF YOUR ESTATE?
We understand the importance of putting the right planning in place for the future. We'll help you organise your affairs and plan for the future.To find out more, speak to us today.

Source data:

[1] https://adviser.scottishwidows.co.uk/assets/literature/docs/2023-03-power-of-attorney.pdf

This article does not constitute tax or legal advice and should not be relied upon as such. tax treatment depends on the individual circumstances of each client and may be subject to change in the future. for guidance, seek professional advice.

Powers of attorney/will writing and trusts are not regulated by the financial conduct authority.

FINANCIAL WELLBEING

MORE THAN 24.5 MILLION PEOPLE ARE FINANCIALLY DISENGAGED

Do you often review your finances? Or are you one of those people who just hope for the best? Although managing finances may not be the most exciting activity, keeping track of your financial wellbeing can make a significant difference to your life, both in the present and in the future. Taking control of your finances will enable you to meet your financial goals and improve your overall financial health.

Worryingly more than 24.5 million people (46%) feel financially disengaged, according to new research[1]. The study also shows that one in 20 adults – the equivalent of 2.4 million people – were previously financially engaged before changing their behaviour[2].

FINANCIAL UNCERTAINTY

Key reasons for this change include feeling financially secure enough to be less diligent with managing their money (20%), or because other areas of their life have become busier (18%). However, almost a fifth (17%) couldn't state a reason.

But previous periods of financial uncertainty, such as recessions, were stated as the key driver for people becoming financially engaged (27%), so the current cost of living crisis could mean people keep a closer eye on their money.

RETIREMENT PLANNING

Almost two-thirds of respondents (62%) said they regularly check their household budget and their spending, while 73% shop around for the best deal, or use discount codes and vouchers (64%). On average, pre-retirees (those aged 55+ who are still in work) are more financially engaged than the rest of the population (62% compared to the UK average of 54%).

But many are still inactive when it comes to their retirement planning, suggesting people might not know where to start. More than a third (34%) do not currently check their workplace pension while 28% do not currently review their personal pension.

MONEY HABITS

Separate research shows one in five people still reach midlife without having engaged with their retirement at all[1]. Taking small steps to improve your money habits can have a huge impact on your life. It can also help you feel more in control of your financial situation.

Against a landscape of rising costs and record levels of inflation, it can be easy to bury your head in the sand. However, as the research shows, periods of financial difficulty can be one of the leading reasons people take charge of their finances.

RETIREMENT FINANCES

While it's positive that pre-retirees, in particular, are more financially engaged than the average person, it is concerning that they aren't engaging in vital steps to prepare for retirement, such as checking their pension.

This is the first step of the decumulation phase; however, some people could be leaving themselves at risk of not knowing their full financial picture or how to actively manage their

retirement finances when they get there. The decumulation phase is an important aspect of retirement planning that many people overlook.

INCOME STREAMS

During this phase, we convert our assets into income streams that will fund our retirement. With advances in healthcare and an increase in life expectancy, it's becoming more important than ever to plan for a longer retirement. Investment can play a crucial role during the decumulation phase.

It's important to continue making our money work hard even after we retire, so that we can meet our financial needs and maintain our standard of living. A well-diversified investment portfolio that balances risk and return can help us achieve our retirement goals.

GREATER CONFIDENCE

To enjoy the decumulation phase with greater confidence and peace of mind, it's important to have a realistic projection of income flows and expenses. This means creating a budget that takes into account expected income from sources such as Social Security, pensions and investment income, as well as our estimated expenses for healthcare, housing and other living expenses.

Preparing for retirement can be a daunting task, but by following a few simple tips, you can make sure you're on track to living out your golden years in comfort and security.

Here are the top four things you can do to prepare for retirement:

1. PREPARE A BUDGET

One of the most important things you can do is to create a realistic budget that will help you track your expenses and income. This will allow you to identify any areas where you can cut back and save more money for retirement. By tracking your spending and income, you can create a plan that helps you save for a comfortable retirement.

2. CONSIDER PENSION DECUMULATION OPTIONS

As you approach retirement age, it's essential to explore the various ways you can convert your pension savings into a retirement income. There are several options available, such as annuities, income drawdown and immediate vesting personal pensions. Seeking professional financial advice will help you understand your options better and make informed decisions about how to access your pension.

3. REVIEW ASSET ALLOCATION

As retirement approaches, it's essential to reduce exposure to higher-risk assets such as equities. By reviewing your asset allocation, you can adjust your investments to make sure you have a well-diversified portfolio that is designed to provide steady income for your retirement years.

4. REVIEW YOUR PLAN REGULARLY

Regularly reviewing your progress is crucial to ensure you are ready for retirement and make the necessary adjustments if needed. Changes in your income, expenses or the financial climate may require you to adjust your plan.

By following these four tips, you can set yourself on a path to financial security for your retirement years. ■

TIME TO START THINKING ABOUT YOUR RETIREMENT OPTIONS?
By planning ahead and taking the necessary steps, you can ensure that you have a comfortable retirement and enjoy the fruits of your labour. To tell us about your retirement goals and how we can help you, please contact us.

Source data:

[1] Research was carried out online by Opinium Research amongst 4,000 UK adults aged 18+ between 14–20 October 2022. 1,856 participants indicated that they were financially disengaged in the survey. 1856/4000=46%, which equates to 24,541,000 UK adults.

[2] 181 participants indicated that they were financially disengaged in the survey. 181/4000=5%, which equates to 2,390,000 UK adults.

[3] Opinium survey of 4,009 UK adults aged between 40 and 60 years old in the UK was conducted between 28 December–6 January 2021.

The value of your investments can go down as well as up and you may get back less than you invested.

The tax treatment is dependent on individual circumstances and may be subject to change in future.

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

Source data:

[1] Make My Money Matter, FTSE100 Research, September 2022

SECURING AN INCOME STREAM FOR THE REST OF YOUR LIFE

DECIDING WHAT TO DO WITH YOUR PENSION FUND CAN BE A COMPLEX DECISION

Are you approaching retirement age and have a pension fund that you need to decide what to do with? There are several options available to you, but one option is to buy a lifetime annuity. An annuity is a financial product that converts your pension fund into an annual pension.

If you've contributed to a defined contribution pension scheme during your working life, you may have a sizeable pension fund built up by the time you retire. Buying a lifetime annuity is one way you can use that pension fund to secure an income stream for the rest of your life.

COMPLEX DECISION

It's important to remember that the first 25% of your pension pot can be taken tax-free, subject to no protection in place and not exceeding £1,073,100, but you'll be charged income tax on any additional money you take. Furthermore, you may need to consider the impact on your eligibility for state benefits or care services.

Overall, deciding what to do with your pension fund can be a complex decision. It's important to consider all options available to you and seek professional financial advice to make the most suitable decision for your individual circumstances.

APPROACHING RETIREMENT

Nearly one million (990,000) pre-retirees, those aged over 55 and still in work, are considering annuities for the first time in preparation for their retirement, according to new research[1].

One in six people approaching retirement but still working (16%) are looking at annuities due to improved rates against the backdrop of rising living costs. This is in addition to the 828,000 (14%) of working over-55s who had always planned to buy an annuity in retirement[2].

PRE-RETIREES

Aside from the improvement in rates (18%), people considering an annuity are drawn by the stability of a guaranteed income making it easier to plan their finances (78%) and the assurances the product offers in a volatile market (36%).

But there is still a lack of awareness around annuities. Of the one in five pre-retirees who wouldn't consider an annuity (20%), 16% said it was because they believe they offer a bad deal.

GUARANTEED INCOME

An additional two out of five pre-retirees (44%) described wanting a guaranteed income for the rest of their lives but only half that number want or are considering an annuity, despite this being exactly what it is designed to achieve.

There's no hard and fast rule when it comes to deciding how to fund your retirement. What might work well now, may not be suitable for you in 10, 15 or 20 years' time so it's really important to remain actively engaged with it throughout later life. If an annuity has been purchased there will be no option for alteration in later life.

FINANCIAL PRESSURES

Despite annuities becoming more popular, the research shows there's still a lack of understanding about what an annuity is and what it can offer. This means people risk having an 'either/or' approach to funding their retirement, when in fact a blended approach might be more suitable.

It's important people are aware of all the options they have and whether a combination of these may present the best outcome. Having this knowledge will ensure people can reclaim their retirement at a time when they might be feeling lost due to financial pressures outside their control. ■

READY TO DISCUSS HOW YOU CAN MAKE SURE YOU RETIRE ON YOUR TERMS?
Will your finances be able to support the lifestyle you want? What happens if you outlive your savings? The good news is that you don't have to face these questions alone. We can help you prepare your pension and wider finances so that you can retire on your terms. So don't wait until it's too late. Please contact us to discuss your future plans.

Source data:

[1] This is based on Legal & General's own data. The YOY data was calculated in the 12 months ending in October 2022.

Research was carried out online by Opinium Research amongst 2,003 UK adults aged 55+ who are still in work between 8–17 November 2022. Pre-retirees relates to those aged 55+ who are still in work. According to ONS statistics, there are over 6,000,000 UK adults aged 55+ who still work. 16% of working adults aged 55+ who had not previously considered an annuity are now considering one because of interest rates and cost of living. This equates to 990,000 UK adults.

[2] According to ONS statistics, there are over 6,000,000 UK adults aged 55+ who still work. 14% planned to buy an annuity, which equates to 828,000 UK adults.

PRINCIPLES OF GROWING YOUR MONEY

INVESTING COULD HELP YOU BEAT INFLATION AND BUILD A NEST EGG FOR THE FUTURE

Investing can be an intimidating and complex topic, but it doesn't have to be with professional financial advice. Understanding the basic truths of investing will help you make better decisions, regardless of how much money you may or may not have.

By understanding these principles, you'll be one step closer to achieving your long-term goals.

START INVESTING EARLY

Investing early is one essential way to build wealth. Instead of waiting until you have a large amount of savings or cash flow to invest, the earlier you start investing, the better. This is because of the power of compounding.

Compounding is the magical snowball effect that occurs when the pounds you earn through investing generate even more returns. Essentially, not only does the original amount you invest grow, but also any interest, dividends and capital gains that you accumulate.

And the best part? The longer you are invested, the more time there is for your investment returns to compound. So, don't wait until you have a large sum of money – start investing early and take advantage of the powerful force of compounding. It can help you reach your financial goals more quickly and achieve the financial freedom you've been dreaming of.

INVESTING IS OFTEN JUST AS IMPORTANT AS STARTING EARLY

Investing regularly is a key strategy that can help you build more wealth over time and achieve this goal. By making investing a priority throughout the year – not just around certain deadlines – you can give yourself the best chance to succeed.

A disciplined approach to investing can help you weather all types of market conditions. Whether the market is rising, falling or staying flat, investing regularly can help you stay on track. With a fixed pound amount invested on a regular basis, you can buy more investment units when prices are low and fewer units when prices are high. This approach can potentially reduce the average cost of your investment over the long term.

Investing small amounts of money on a regular basis can also help you smooth out returns over time and reduce the overall volatility of your portfolio. By avoiding big market swings and focusing on the long term, you can build a sustainable investing plan that supports your financial goals. So, are you ready to make investing a priority? Start investing regularly today and enjoy the benefits of a more disciplined and fulfilling approach to growing your wealth.

DIVERSIFICATION IS A KEY ELEMENT OF YOUR INVESTMENT STRATEGY

When it comes to investing, diversification is key to managing risk and generating consistent returns. By spreading your investments across different asset classes, sectors and markets, you reduce the impact of any one investment on your overall portfolio.

Historically, diversification has proven to be one of the most effective strategies for reducing volatility and achieving long-term investment success. By constructing a well-diversified portfolio that includes stocks, bonds, property and other assets, you can help ensure that your returns are more stable and less subject to market ups and downs.

Even in times of market turmoil, a diversified portfolio can help you weather the storm and stay committed to your long-term investment plan. Rather than reacting emotionally to short-term market fluctuations, a diversified portfolio allows you to stay focused on your goals and the bigger picture.

So if you're looking for a solid investment strategy that can help you achieve your financial goals, diversification should be at the top of your list. With the help of professional financial advice, you can construct a well-diversified portfolio that's tailored to your unique needs and risk tolerance.

IT'S TIME IN THE MARKET THAT MATTERS, NOT TIMING THE MARKET

When it comes to investing, being patient and consistent is key. The idea of 'timing the market' – or trying to predict when prices will go up or down, so you can buy at a low price and sell at a high one – is enticing. But in reality, this strategy rarely works out successfully for investors and even if you manage to get out of the market at the right time, you are likely to miss out on significant gains when it rebounds.

Missing just a few of the market's strongest days can have a significant impact on your overall investment returns, so it's essential to stay invested and ride out the market's ups and downs. By consistently investing over long periods of time, you are able to benefit from compounding returns and give your investments more chance to grow.

It also makes sense psychologically; since stock markets tend to fluctuate wildly in short periods but trend upwards over longer ones, staying invested for the long run can be less stressful. The longer you stay in the market, the more able you will be to ride out economic downturns without having to make desperate decisions that may not pan out. So, as an investor, it's essential to remember – time in the market is more important than timing the market.

MARKETS GO THROUGH UP AND DOWN CYCLES, BUT THEY HAVE TRENDED HIGHER OVER THE LONG TERM

It's no secret that markets are subject to cycles of ups and downs. While it can be stressful to see your investments drop in value, it's essential to keep a long-term perspective. Even when markets experience significant dips, such as during times of economic uncertainty or global crises, history has shown that

markets have always recovered and continued to trend higher over time.

Rather than panicking over short-term fluctuations, it's wise to focus on your long-term investment goals and have confidence that the markets will eventually rebound.

MARKETS ARE UNPREDICTABLE, SO FOCUS ON WHAT YOU CAN CONTROL

It's easy to get caught up in the daily fluctuations of the market and allow fear or greed to influence your investment decisions. However, keeping emotions in check is crucial if you want to achieve long-term investing success. One way to do this is by creating a well-diversified portfolio that aligns with your risk tolerance and financial goals. This can help to mitigate risk and reduce the impact of market volatility on your portfolio.

Staying invested is also important during market downturns. While it may be tempting to sell off your investments and avoid potential losses, timing the market is a difficult game. You may end up missing out on market gains if you try to time the market, and you'll need to be right twice – when to sell and when to buy back in. By staying invested, you give yourself the opportunity to benefit from the market's eventual recovery.

Keep your focus on your financial goals, rather than on short-term market movements. This can help you avoid making knee-jerk reactions to market volatility and stay on track with your investing plan. By having a clear understanding of your financial goals and your time horizon, you can make investment decisions that are aligned with your long-term objectives. Remember, investing is a journey, not a destination. Stay focused, stay disciplined, and the results will come over time.

VOLATILITY DECREASES THE LONGER YOU'RE INVESTED

Investing is a dynamic process, and it's essential to understand the relationship between risk and return. While all investments carry some degree of risk, if you're looking to earn a higher return, you must be willing to take on more risk or volatility. On the other hand, if you have a low tolerance for risk, you may have to forego some returns to ensure your investments are more secure.

It's important to note that the volatility in your portfolio tends to decrease over time, particularly if you've invested in a well-diversified portfolio. As you remain invested for longer periods, your portfolio becomes less susceptible to market fluctuations, and this reduces the risk of potential losses. Therefore, it's necessary to be patient and stay invested for the long term, even when things get rough.

Ultimately, understanding the relationship between risk and return is critical to successful investing. While there are no guarantees, the key to success is to embrace the right amount of risk while building a well-diversified portfolio.

THE MORE FREQUENTLY YOU CHECK YOUR PORTFOLIO, THE MORE VOLATILE IT WILL FEEL

It's natural to want to keep an eye on your investments, but checking it too often could lead you to unnecessary stress. As tempting as it may be to obsessively track the dips and spikes, it's important to remember that investing is a long-term game.

The more often you check, the more you're exposing yourself to the daily volatility of the market. Even if your investments have the potential to grow, they may experience temporary losses in the short term, causing you to panic and make rash decisions.

Instead, focus on your long-term investing goals and review your portfolio less frequently. This approach can help you stay on track and avoid reactions that could jeopardise your chances of achieving your financial objectives.

Remember, investing is a marathon, not a sprint. So set it, and forget it – at least until it's time for your next portfolio review. Be patient and have faith in your investments. Over time, they have the potential to grow and provide you with the returns you desire.

HEADLINES OFTEN FOCUS ON THE SENSATIONAL, SHORT-TERM AND NEGATIVE – NONE OF WHICH SHOULD MATTER TO INVESTORS

It's important not to get caught up in the sensationalism of the news and instead focus on your long-term investment goals, disregarding economic, financial or political events that can give you a reason not to invest. This means ignoring the short-term noise and maintaining a diversified investment strategy that can weather various market conditions.

When unforeseen events do occur, it's important to remember that investing is for the long term. Don't make any sudden changes to your portfolio or investment strategy based on a single event or headline – this can ultimately lead to harming your investments.

By staying focused on your long-term financial goals and maintaining a disciplined approach to investing, you can navigate markets in good times and bad, and ultimately achieve greater success in your overall financial strategy. ■

LOOKING FOR GUIDANCE TO NAVIGATE THE WORLD OF INVESTMENTS?

Investing your money could be an effective way to reach your long-term goals and aspirations. By investing your money, you could potentially earn a higher return than if you were to simply save it in a low-interest savings account. This means that over time, your money could grow substantially, giving you a better chance of achieving your financial goals. For more information please contact us.

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PASSING ON ASSETS **TAX-EFFICIENTLY**

HOW TO ENSURE THAT YOUR WEALTH IS PRESERVED FOR FUTURE GENERATIONS

Are you concerned about the impact of Inheritance Tax (IHT) on your estate? It's natural to want to leave behind a legacy for your loved ones, but without the right plan in place, a significant portion of your wealth could be subject to Inheritance Tax. With IHT affecting more and more families, it's crucial to be proactive and plan accordingly.

Fortunately, there are steps you can take to reduce the impact of IHT on your estate. For example, you may want to consider setting up trusts, gifting assets while you're still alive or investing in pensions which don't usually form part of your estate on death.

It's worth noting that IHT rules can be complicated, and the best course of action will depend on your specific circumstances. Getting professional financial advice can be beneficial to ensure that the plan you put in place is effective and complies with all relevant regulations.

MAKE A WILL

Setting up a Will is one of the most important things you can do to ensure your wishes are carried out and your estate is distributed according to your wishes. Not having a Will means that your estate will be subject to the intestacy laws, which may not reflect your wishes and could result in an unnecessary IHT liability.

By making a Will, you can specify who should inherit your assets and in what proportions. This not only ensures that your wishes are carried out, but it can also help to reduce the amount of IHT payable on your estate. For example, you can pass assets to a surviving spouse or registered civil partner free from IHT.

It's worth noting that even if you already have a Will in place, it's important to review it regularly to ensure that it reflects your current wishes and any changes to your circumstances. By taking the time to make a Will, you can ensure that your wealth ultimately benefits the people and causes that matter most to you.

TAKE ADVANTAGE OF THE RESIDENCE NIL-RATE (RNRB) BAND

One way to reduce your IHT liability is to take advantage of the RNRB. This is an allowance that applies to each individual, on top of the existing IHT threshold of £325,000. The RNRB allows you to pass on up to an additional £175,000 of your estate IHT-free, but there are conditions that must be met.

To qualify for the RNRB, you must leave your home to a direct descendant, such as a child or grandchild. This could be done by leaving the property to them in your Will or by using a trust structure. The property doesn't have to be the main home, as long as it has been your residence at some point.

The RNRB will gradually reduce, or taper away, for an estate worth more than £2 million, even if a home is left to direct descendants, and will reduce by £1 for every £2 that the estate is worth more than the £2 million taper threshold.

If you're considering taking advantage of the RNRB, it's essential to seek professional advice to ensure that you're meeting all the necessary requirements and that you're leaving your estate in the most tax-efficient way.

MAKE FULL USE OF YOUR PENSION FUNDS

Taking a strategic approach to how you use your money can help to reduce a potential IHT liability. One option to consider is making full use of your pension funds, which don't usually count towards your estate and can be passed on IHT-free to your beneficiaries.

If you die before the age of 75 and have money in your pension fund, your beneficiaries can usually receive the remaining funds as a tax-free lump sum, up to £1,073,100 unless protection applies. If you die after the age of 75,

the funds can still be paid to your beneficiaries, but they will be treated as earned income and subject to income tax at their marginal rate.

In light of this, it's maybe worth considering the withdrawal of funds from accounts included in the estate for IHT assessment purposes first, and using pension funds as an additional source of income later in life. This way, you can reduce the IHT liability on your estate and ensure that your beneficiaries receive the most significant possible inheritance.

You need to ensure that you're making the most of all the available options and that you're complying with all relevant regulations. With careful planning, you can enjoy financial security in your retirement while leaving behind a stronger legacy for your loved ones.

USE YOUR FULL ANNUAL GIFT ALLOWANCE

Using your annual gift allowance is an effective way to reduce your IHT liability while also benefiting your loved ones. Each tax year, you're allowed to give away up to £3,000 in assets or cash as a gift which are exempt from IHT.

This annual allowance can be used for any purpose, such as helping to fund a family member's education, contributing to a loved one's pension or providing assistance with buying a home. It's entirely up to you whom the money goes to, as long as the gift doesn't exceed £3,000 per tax year.

If you haven't used your full annual gift allowance in the previous tax year, you're allowed to carry it forward and use it in addition to the current year's allowance. This means that you could potentially give away up to £6,000 tax-free to your loved ones.

EXCELLENT WAY TO MARK SPECIAL OCCASIONS

In addition to the annual gift allowance, there are other gift allowances that you can take advantage of to reduce a potential IHT liability. One option is to give smaller gifts of up to £250 to different people each year. This is an excellent way to mark special occasions like birthdays or holidays and can help to reduce the value of your estate.

Another option is to give wedding gifts of up to £5,000 to your children, £2,500 to a grandchild or great-grandchild or £1,000 to any other person. This can be a great way to help them start their new lives as a married couple while also reducing the amount of IHT payable on your estate.

SEVEN-YEAR RULE CAN BE A USEFUL STRATEGY

The seven-year rule can be a useful strategy for reducing your Inheritance Tax liability if you have larger sums of wealth that you want to pass on to your loved ones. Under this rule, gifts that you make will be free of Inheritance Tax provided that you live for at least seven years from the date you make them.

This strategy can be useful for making more substantial gifts, such as large cash sums to your loved ones. However, there are some exceptions to the seven-year rule, such as gifts given as part of your normal expenditure or wedding gifts, which are free of IHT immediately.

It's essential to understand the rules around making gifts and to ensure that you're complying with all relevant regulations. With careful planning, you can use the seven-year rule to reduce your Inheritance Tax liability.

SUPPORTING A CHARITY CLOSE TO YOUR HEART

Leaving money to a worthy cause is not only a good way to support a charity close to your heart, but it can also help to reduce an IHT liability. If you're willing to donate at least 10% of your estate to a registered charity, the government will reduce your IHT rate from 40% to 36%.

This is known as the reduced rate of IHT, and it's available to anyone who leaves a charitable donation as part of their estate. The part of your estate that you donate to a registered charity is also exempt from IHT.

Leaving a charitable legacy can also help to reduce the burden on your loved ones and ensure that your wealth benefits society for years to come. It's essential to ensure that you're donating to a registered charity and that you're complying with all relevant rules and regulations.

PROVIDING THE DESIRED PROTECTION FOR YOUR WEALTH

Setting up a trust can be an effective way to start IHT planning while still retaining control. As a trustee, you can determine who will benefit from the trust and when they will receive the money. Trusts can also be used to hold funds in suitable investments until they are distributed at a later date.

However, it's essential to understand the complex rules involved in setting up and managing trusts and ensure that all relevant regulations are complied with. Professional financial advice is essential for creating a trust that meets your needs and provides the desired protection for your wealth.

Setting up a trust can help you start planning for IHT while ensuring that your funds are managed responsibly, passed on effectively and used to protect your wealth, leaving behind a legacy for generations to come.

LIFE INSURANCE THAT IS WRITTEN IN AN APPROPRIATE TRUST

Taking out life insurance that is written in an appropriate trust can be a way to cover the cost of an IHT bill that may be due on your estate.

In most cases, it's better to begin Inheritance Tax planning as early as possible in order to ensure that your estate is adequately protected. Investing in other options like trusts or leaving money to a registered charity may also provide benefits and reduce liability. ■

NEED TO FIND THE MOST APPROPRIATE WAYS TO REDUCE A POTENTIAL IHT LIABILITY?

Professional financial advice can help you navigate these complex rules and find the most appropriate ways to reduce a potential IHT liability. By taking steps now to mitigate the impact of IHT, you're not only securing a stronger legacy for your loved ones, but also protecting your wealth and financial future. To discuss how we can help, please contact us.

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Inheritance tax, will writing and trusts are not regulated by the financial conduct authority.

GENDER PENSION GAP

GAP IN PENSION BENEFITS BETWEEN MEN AND WOMEN WIDENS

For many women, the decision to work part-time often coincides with important career and childcare milestones. While pension contributions may not be the deciding factor for this decision, it's important to understand the long-term impact on pensions. This knowledge is crucial for good financial planning.

SIGNIFICANT GAPS

Recent data has once again highlighted the gender pension gap, which begins to widen significantly from the age of thirty-five and has revealed a significant gap between how much women pay into their pension compared to men.

Based on the analysis of workplace pension data for just over five million pension plans, the gap between women's and men's pension contributions for 35-39-year-olds is 21%, up from 18% last year[1].

PENSION IMBALANCE

This gap then increases to 24% for 40-44-year-olds, 27% for 45-49-year-olds, and a staggering 32% for 50-54-year-olds. The amount paid in pension contributions has a significant impact on retirement income. With women aged 60-65 years old having pension pots that are on average just over half (57%) the size of men's pots at the same age, the gender pension imbalance persists into retirement.

If you are a part-time worker who has been automatically enrolled into a workplace pension scheme, you may want to consider increasing your monthly contributions if it is affordable. It's important to understand that starting early allows a small contribution to build up over time.

ASSET DIVISION

If you earn less than £10,000 per year, speak to your employer about your options for joining your company pension scheme. And if you're thinking of reducing your working hours to help balance family life, consider whether it's better for you or your partner to work part-time. As part of those considerations, look at which of you gets higher employer pension contributions.

RETIREMENT PLANS

Another important factor in managing your retirement plans is to check your National Insurance record to see if you're on track to get the full State Pension amount when you retire. You need a total of 35 years of National Insurance contributions, or, in some cases, you can apply for credits. If it looks like you might be short, you might have the option to pay to fill in the gaps.

If you're not working while looking after a child, you can get State Pension credits automatically until your youngest child is 12 years old if you are claiming Child Benefit. So, apply for Child Benefit even if your overall household income means you need to pay it back through a high-income Child Benefit charge.

FULL PENSION

Lastly, talk to your employer about the policies they offer, for example, equal parental leave irrespective of gender, alongside salary exchange. It means employees who may only receive statutory maternity pay for part of their parental leave maintain full pension contributions.

It's unfortunate to see that women are still facing a significant disparity in their pension savings when compared to men. It's high time for meaningful change to address the gender pension gap, such as committing to equal pay for equal work, providing better support for part-time workers and implementing measures to help those taking time off for family care to avoid significant pension losses. ■

ARE YOU RETIRED OR PLANNING TO RETIRE SOON?
Don't navigate this crucial life stage alone. Our retirement advice service is here to help you every step of the way. We avoid confusing jargon and explain things in clear, simple language. You'll have a full understanding of your options and feel confident in your decisions. For more information, please contact us.

Source data:
[1] Aviva Workplace Pension Data based on a sample of just over 5 million workplace pension plans. Women compared to men. By age group. Percentage difference in mean total contributions paid in Jan 2023; and mean total pension pots in Jan 2023.

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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.

THINK OF LIFE INSURANCE LIKE A SAFETY NET

MAKE SURE YOUR DEPENDENTS HAVE THE MONEY THEY NEED IF YOU WERE NO LONGER AROUND

When it comes to ensuring that your family is taken care of in the event you premature death, life insurance is invaluable. It's important to recognise how life insurance can help protect your financial interests and those of your loved ones.

Life insurance provides a cash payment, known as a death benefit, which may be used to cover costs such as paying off a mortgage or other debts and funeral expenses. It can also provide a financial cushion to help your family maintain their lifestyle after you're gone. Ultimately, it provides peace of mind knowing that loved ones will be financially supported.

DIFFERENT FACTORS

The cost of life insurance can vary due to different factors and will typically include the amount of coverage, policy type, age and health. The higher the coverage amount, the higher the monthly premiums. The policy type can also impact the cost, as term life insurance only covers a specific time frame while whole-of-life insurance does not have an expiry date.

Age can be a key factor, with older individuals often having higher premiums. Health also plays a significant role in determining premiums, with healthier individuals generally having lower premiums as they pose less of a risk to the insurer.

HEALTH CONDITIONS

Insurers may review medical records, ask for basic health information, or require a medical exam to assess an individual's risk and consider an individual's family health history when calculating the cost of life insurance.

If an individual's family has a history of health conditions such as heart attacks, strokes or diabetes, they may be deemed as more vulnerable to these conditions and thus end up paying higher premiums.

INDIVIDUAL'S LIFESTYLE

Habits and lifestyle can also impact premiums, with insurers wanting to know about habits such as alcohol consumption or smoking. Occupational hazards also come into play, with some occupations deemed as more dangerous than others, such as those in construction, the armed forces or emergency services.

Finally, insurers may ask about hobbies outside of work, especially those that are deemed as dangerous or pose a risk to the individual's health, such as rock climbing or extreme sports. The insurer assesses an individual's lifestyle and hobbies to determine the risk of future claims under the policy. ■

NOT SURE HOW MUCH COVER YOU NEED?

Sustaining the future of your loved ones after you are gone is essential. What if the unthinkable happened to you? Life insurance is there to ensure the life you've built together goes on. With the rising costs of living and less disposable income for many, life insurance could be more important than ever. For more information, please contact us.

BUILDING UP MORE TAX-FREE MONEY **IN YOUR PENSION**

CHANGES PRESENT SIGNIFICANT OPPORTUNITIES FOR VARIOUS INDIVIDUALS

When making contributions to your pension, it's important to keep in mind that there's a limit to how much you can contribute each year without incurring additional taxes. This limit is known as the pension Annual Allowance.

On 6 April 2023, new pension legislation came into effect, presenting significant opportunities for various individuals. Among other things, the pension Annual Allowance increased from £40,000 to £60,000.

BUILDING UP TAX-FREE MONEY

The Annual Allowance is the limit on how much money you can build up tax-free in your pension in any one tax year while still benefiting from tax relief. It's not the maximum pension contributions you can make. You could still make more. However, if you exceed this amount, you won't receive tax relief on the excess contributions, and you may be subject to an Annual Allowance charge.

One way to reduce or eliminate this charge is by taking advantage of carry forward. This option allows you to use any unused Annual Allowance from the previous three tax years to offset your contribution in the current year, subject to having sufficient Net Relevant Earnings in the current tax year.

ANNUAL ALLOWANCE CHARGE

Carry forward is not available to everyone, only to those who are not subject to the Money Purchase Annual Allowance (MPAA). Additionally, you'll need to make sure that you don't exceed your Net Relevant Earnings in the current tax year, even after using carry forward.

If you do find yourself facing a pension Annual Allowance charge, you may be able to ask your pension scheme to pay the charge from your pension using Scheme Pays. This would result in a reduction in your pension, so it's important to carefully consider whether this is the right option for you.

IN EXCESS OF LIFETIME ALLOWANCE

The removal of the punitive tax charge for breaching the Lifetime Allowance also provides new opportunities for those wishing to pay more into their pension or draw more out of their pension. From 6 April 2023, the Lifetime Allowance charge has been completely removed, with the total removal of the LTA set for April 2024.

However, you will still be taxed at your marginal rate of Income Tax on any benefits taken in excess of the Lifetime Allowance.

LEVEL OF PENSION CONTRIBUTION

Additionally, for those who have flexibly accessed a pension in the past, the Money Purchase Annual Allowance increased to £10,000 from 6 April 2023, providing scope for those returning to work after taking retirement to make a more meaningful level of pension contribution.

While the level of tax-free cash available when taking a pension hasn't been increased, these changes provide valuable new possibilities for pension planning;. However, navigating these changes can be complex. ■

TIME TO CREATE A PERSONALISED PLAN TO ACHIEVE YOUR FINANCIAL GOALS?
Are you concerned about your financial future and not sure where to start? We're here to assist! We will help you identify your priorities and create a personalised plan to achieve your financial goals, showing you how much you need to save in order to have the lifestyle you want. Don't let your retirement plans slip away. Contact us today and let us help you secure your financial future.

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