PROTECT & GROW

SPRING 2024 | ISSUE 18

MAKE THE MOST **OF YOUR WEALTH**

Opening up a world of possibilities for your future

ALSO INSIDE THIS ISSUE

TAX-SAVING MEASURES
What actions to review before the 2023/24 year-end?

THE POWER OF PREVENTION
An effective financial plan acts as your protective shield

BALANCING PROFIT AND PLANET
Striving to use impact to boost investment returns

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PROTECT AND GROW YOUR WEALTH

WELCOME

WELCOME TO the Spring issue of *Protect & Grow* from Kingswood.

Like health, the more meticulously you manage your wealth, the longer it lasts. A growth strategy seeks to amplify your wealth over the long haul, opening up a world of possibilities for you. Whether you dream of a large retirement fund, a holiday home or providing top-tier education for your children or grandchildren, a growth portfolio could be your ticket. On **page 12**, we look at how choosing a growth investment strategy hinges on factors such as age, investment timeframe, risk tolerance and life goals.

Have you recently evaluated your personal tax situation? Is your tax structure optimised for efficiency? As we approach the end of the tax year on 5 April 2024, it presents an ideal opportunity to assess and leverage the various allowances and reliefs available to enhance your tax profile. Allocating time for this review can provide valuable insight into potential opportunities for you and your family. The vast scope and complexity of the UK tax system may seem daunting. However, navigating it with careful planning can lead to significant financial benefits. Read the full article on **page 03**.

In the realm of financial wellbeing, an old adage rings particularly true: 'Prevention is better than cure.' An effective financial plan acts as your protective shield, specially designed to weather any economic storm that may come your way. It offers comfort and control, ensuring that you are steering the ship of your finances, not vice versa. However, the key lies in establishing this plan early enough to counteract the short-term risks associated with market volatility. On **page 16**, we consider what constitutes a sound financial plan, and how it can help navigate the unpredictable financial waters.

ESG (Environmental, Social and Governance) investing, a socially responsible investing approach, seeks to harmonise financial returns with a company's environmental impact, stakeholder relationships and global footprint. Our planet faces numerous challenges, from climate change to a rapidly growing and ageing population. Understanding and incorporating ESG risks and opportunities into your investment strategy improves decision-making and enables you to seek more beneficial investment outcomes. Turn to **page 13** to read the article.

Navigating the complexities of wealth management and investment

We cater to the unique needs of business owners, professionals, retirees and high-net-worth individuals. We aim to guide our clients in crafting a secure future for themselves and their families. Whether it's estate planning, tax advice, retirement strategies or children's education plans, our expert financial advisers are here to navigate the complexities of wealth management and investment. We're committed to helping you meet your financial goals - today, tomorrow and for future generations. For more information, please get in touch with Kingswood Wealth Management.

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TAX-SAVING **MEASURES**

WHAT ACTIONS TO REVIEW BEFORE THE 2023/24 YEAR-END?

Have you recently evaluated your personal tax situation? Is your tax structure optimised for efficiency? As we approach the end of the tax year on 5 April 2024, it presents an ideal opportunity to assess and leverage the various allowances and reliefs available to enhance your tax profile. Allocating time for this review can provide valuable insight into potential opportunities for you and your family.

The vast scope and complexity of the UK tax system may seem daunting. However, navigating it with careful planning can lead to significant financial benefits. Understanding your tax affairs is key to maximising your wealth and ensuring your financial future.

TAKE ADVANTAGE OF POTENTIAL RELIEFS OR ALLOWANCES

However, the tax landscape has witnessed considerable changes, making the situation more challenging for taxpayers and investors alike. As we near the end of the 2023/24 tax year, every taxpayer should understand the importance of this date and consider their tax position.

Furthermore, 5 April 2024 marks the end of your personal earnings year. Knowing your yearly income will help you understand your tax band and ensure you take advantage of potential reliefs or allowances. The current tax year officially ends on 5 April 2024. The following day, 6 April 2024, ushers in the 2024/25 tax year.

As the tax year end approaches, we've provided some planning tips to consider:

MARRIAGE ALLOWANCE

This allowance provides a unique opportunity for couples where one partner is a basic rate taxpayer and the other partner's income falls below the personal allowance threshold. With the Marriage Allowance, you can transfer up to £1,260, which equates to 10% of the personal allowance, from the lower-income partner to the higher-income partner.

This transfer can significantly reduce the tax liability for the basic rate taxpayer, potentially saving up to £252 in the current year. It's important to note that this allowance is specifically designed for married couples or registered civil partners. By efficiently utilising this allowance, couples can optimise their combined tax liabilities and make the most of their financial situation.

EMPLOYEE TAX RELIEFS

In the course of your employment, there are several tax reliefs you may be eligible to claim. These provisions are designed to offer financial respite for certain expenses related to your job. One such relief is for professional subscriptions. If you must maintain membership in a professional body as part of your job, you can claim tax relief on these fees.

Another provision is the working from home allowance. This relief is aimed at employees who incur additional costs due to working from home. It's designed to alleviate some financial pressure from maintaining a home office. You may also be entitled to claim relief for business miles travelled in your personal vehicle. If you use your own car for work-related travel, this relief can offer significant savings.

TRADING AND PROPERTY ALLOWANCES

These allowances are aimed at individuals who earn small amounts of income from activities like selling items on eBay or Amazon or renting out spaces on Airbnb. Each of these allowances offers up to £1,000 of tax-free income.

Furthermore, if you rent out a portion of your home, you may be eligible for the Rent-a-Room relief. This relief allows you to receive up to £7,500 tax-free from letting out a room in your home.

INDIVIDUAL SAVINGS ACCOUNT (ISA) ALLOWANCE

You receive an ISA allowance of £20,000 in the current tax year. Contributions can be allocated to a Cash ISA, Stocks & Shares ISA, Lifetime ISA or Innovative Finance ISA. ISAs are a 'tax efficient wrapper' which can make a big difference to your money over time. You can combine your ISA allowances for married couples, enabling you to put up to £40,000 in ISAs between you.

Investors who have yet to use up their full ISA allowance should discuss with us the potential to sell shares yielding dividends outside their ISA and buying them back within this tax-exempt wrapper. However, care should be taken as this could trigger a Capital Gains Tax charge.

JUNIOR ISA (JISA) ALLOWANCE

In the same vein as the ISA suggestions, children are entitled to a Junior ISA (JISA) allowance of £9,000 per annum. Consider funding a JISA to give your children a nest egg when they turn 18.

THE LIFETIME ISA

A Lifetime ISA (LISA) applies to individuals aged 18 to 40 who are either planning to purchase their first home or preparing for retirement. With the ability to invest up to £4,000 annually, the government bolsters your efforts with a 25% bonus, up to a maximum of £1,000 per year. This money can be used to buy a new property (subject to certain restrictions) or accessed when you turn 60 to supplement your retirement income.

PENSION CONTRIBUTIONS

Pension contributions should be a key consideration at the end of each tax year. Contributions to pension schemes can be made on behalf of your minor and adult children and your grandchildren. There are several advantages to doing so. For example, the pension scheme can reclaim basic rate tax from HM Revenue & Customs (HMRC). You'll receive additional tax relief if you're subject to a higher tax rate exceeding 20%. You're establishing a pension fund for your retirement or to pass on to future generations.

In the current tax year of 2023/24, contribution limits have been augmented. The annual pension contribution limit is now the lesser of your relevant earnings or an annual allowance of £60,000 gross, corresponding to a net payment of £48,000.

All UK residents under the age of 75 can contribute up to £3,600 gross (£2,880 net) per year, irrespective of income level. However, suppose your adjusted income (typically your total taxable income plus employer pension contributions) exceeds £260,000. In that case, the annual allowance is progressively reduced by £1 for every £2 of income over this threshold, down to a minimum of £10,000 gross (£8,000 net) for those with an adjusted income above £360,000.

For individuals aged over 75, no tax relief is provided on contributions made. If you can make additional contributions, you can use any unused allowances carried forward from the previous three years. Reviewing your pension status and that of your family members is crucial for effective financial planning.

'CARRY FORWARD' RULES

The 'Carry Forward' rules allow you to carry forward unused allowances from the

previous three tax years if eligible. As we reach this tax year end, you'll lose any unused allowance for the 2020/21 tax year if it remains untapped. Considering these rules when planning your pension contributions would be best.

CAPITAL GAINS TAX ALLOWANCE

In light of the changing landscape for Capital Gains Tax (CGT), it's essential to understand how you can optimise your financial strategy. Before 6 April 2024, you have an opportunity to solidify your capital gains and make the most of the annual CGT exemption, which is capped at £6,000. However, please note that this benefit is not extended to individuals who are taxed on a remittance basis with income and capital gains exceeding £2,000.

One effective method to crystallise capital gains involves strategically selling and repurchasing stocks and shares. This approach enables you to maximise the annual CGT exemption. It offers an opportunity to elevate the base cost for future sales, potentially reducing your tax liability in the long run.

However, knowing the timing and the party involved in the repurchase is crucial. To derive the maximum benefit from this strategy, the repurchase should ideally occur after a gap of more than 30 days. Alternatively, the buyback can be executed by your spouse, registered civil partner or through an Individual Savings Account (ISA).

DIVIDEND ALLOWANCE

For those with invested assets, the dividend allowance can offer substantial benefits. You can receive up to £1,000 per year tax-free, with dividend tax rates applied to amounts over £1,000. The dividend allowance will be reduced to £500 per annum in the 2024/25 tax year.

GIFTING FOR ESTATE PLANNING

Certain gifts can be exempt from Inheritance Tax, immediately leaving your estate upon gifting. These are commonly referred to as exempt gifts and include gifts presented to your spouse or registered civil partner. In addition, contributions to charities or political parties are exempt as well as gifts valued up to £250, provided each gift is given to a different recipient and is the only tax-exempt gift they've received from you within that tax year. This often encompasses birthday and Christmas gifts derived from your regular income.

Also exempt are wedding gifts from a parent to their child up to £5,000, from grandparent to grandchild up to £2,500, or up to £1,000 to anyone else. Additionally, you're allocated an annual exemption each tax year, allowing you to gift cash or property up to the value of £3,000. This can be given to a single individual or divided among several recipients. If the previous year's exemption wasn't utilised, it can be carried forward to the current tax year, effectively doubling the exemption to £6,000. Understanding these exemptions can help in efficient tax planning and potentially reduce your Inheritance Tax liability.

OTHER AVAILABLE ALLOWANCES

Your Personal Savings Allowance (PSA) refers to the amount of savings interest income/growth you can earn tax-free. Current levels are set at £1,000 for basic rate taxpayers and £500 for higher rate taxpayers. Additional rate taxpayers, however, are not entitled to this allowance. ■

DON'T LEAVE IT TO CHANCE. ARE YOUR FINANCES ARRANGED AS TAX-EFFICIENTLY AS POSSIBLE?
Time is running out if you want to ensure your personal affairs, family and business affairs and plans for the long term are arranged tax-efficiently. For further information on tax year-end planning opportunities, please get in touch with us. We're here to help you make the most of your money.

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Your pension income could also be affected by the interest rates at the time you take your benefits.

CHANGES TO **THE STATE PENSION**

'TRIPLE LOCK' TO INCREASE BY 8.5% FROM 6 APRIL 2024

The State Pension is set to increase commencing on 6 April 2024 due to a mechanism known as the 'Triple Lock'. Chancellor Jeremy Hunt has announced an increase of 8.5%, which pensioners will welcome.

The State Pension is a recurring benefit paid out every four weeks by the government. This payment is made available to individuals who have reached the qualifying age and have sufficiently contributed to National Insurance.

CHANGES IN THE WEEKLY PENSION AMOUNTS

Qualifying for a full State Pension is based on your National Insurance Contributions (NICs). The number of years you've paid or been credited with these contributions and when you start claiming your State Pension determines the amount you receive. You can access government websites to check your personal NI record and forecast your State Pension.

This increase announced during the Autumn Statement translates to significant changes in the weekly pension amounts. For those receiving the full, new flat-rate State Pension, the weekly amount will be £221.20. Meanwhile, for those on the full, old basic State Pension, the weekly figure will be £169.50.

THE HIGHEST OF THE THREE MEASURES

The State Pension 'Triple Lock' concept might seem complex, but it's quite straightforward. It's a system that ensures the State Pension increases each April, with the increase based on the highest of three measures.

The 'Triple Lock' system measures inflation as per the Consumer Price Index of the previous September, the average wage increase across the UK or a minimum of 2.5%. Whichever of these three measures is highest dictates the increase in the State Pension. ■

WANT TO FIND OUT MORE ABOUT YOUR RETIREMENT PLANNING OPTIONS?
Understanding your pension options thoroughly is vital to planning a comfortable retirement. Feel free to contact us if you require further insights or have specific questions regarding your State Pension or your retirement plans. We look forward to hearing from you.

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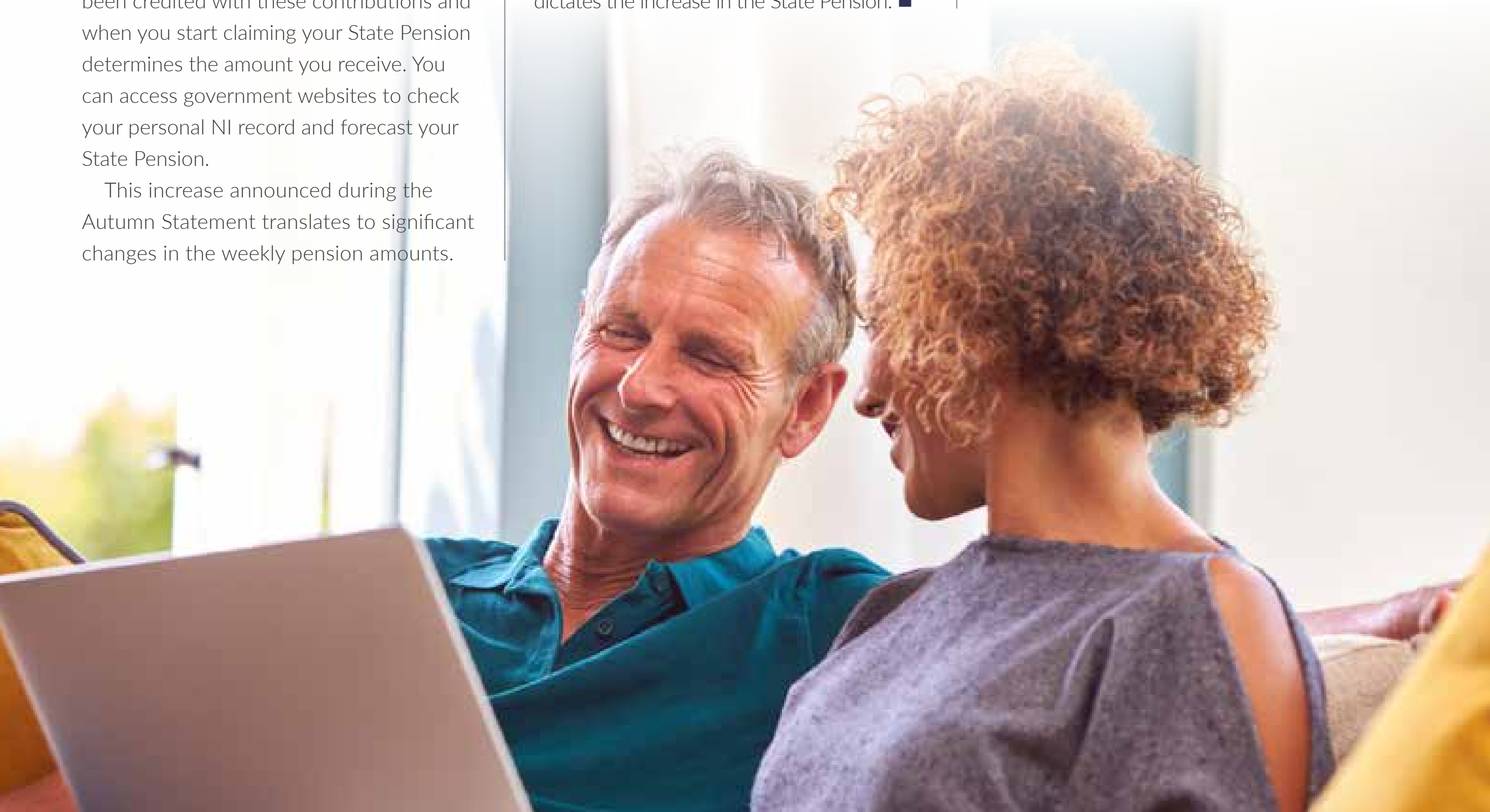

SUCCESSION PLANNING, **A FAMILY AFFAIR**

A DELICATE PROCESS THAT REQUIRES CLEAR COMMUNICATION AND EFFECTIVE PLANNING

Transferring wealth within a family is a delicate process that requires clear communication and effective planning. Otherwise, it could lead to a potentially large tax bill and bad feelings in the family.

This narrative was depicted in the hit American HBO series 'Succession,' which centred on the Roy family, the owners of global media and entertainment conglomerate Waystar RoyCo, and their fight for control of the company amidst uncertainty about the health of the family's patriarch.

SIMPLIFYING THE PROCESS AND MAXIMISING TAX EFFICIENCY

By engaging in succession planning, you can ensure your assets are distributed according to your wishes, simplifying the process and maximising tax efficiency. Before diving into these conversations, consider these questions: When do you want to transfer your wealth? How much wealth do you want to pass on? Who do you want to pass your wealth on to? How do you want to transfer your wealth?

The question of when to transfer your wealth isn't limited to bequests in your Will. Some strategies for transferring assets during your lifetime may offer various benefits. However, a well-maintained and up-to-date Will is the cornerstone of effective succession planning. It should reflect your current circumstances, objectives and legal considerations in the jurisdictions where you hold assets.

DON'T COMPROMISE YOUR OWN STANDARD OF LIVING

Professional advice and regular reviews of your Will are recommended – every two to three years or following significant life changes such as marriage, divorce or childbirth. In certain regions, like England and Wales, marriage voids any existing Will unless made in contemplation of the marriage.

To maintain the 'real' value of your legacies, consider linking them to inflation. Transferring wealth through your Will ensures you don't compromise your own standard of living. Alternatively, gifting during your lifetime allows you to witness the joy your beneficiaries derive from your generosity. For those subject to UK taxes, this can also be a more tax-efficient method of wealth transfer.

SHARING WEALTH AND MAINTAINING YOUR LIFESTYLE

Striking the right balance between sharing your wealth and maintaining your lifestyle is critical. The uncertainties of recent years have underscored the importance of preparing for the unexpected. This preparation involves running various scenarios and 'stress testing' the financial outcomes through cash flow planning. This can include testing against different investment return outcomes, inflation projections and potential long-term care costs.

Cash flow 'stress testing' provides invaluable insights when considering more significant gifts. It shows how much you can afford to give away during your lifetime, accounting for worst and best-case scenarios. This approach acknowledges that predicting the future with accuracy is impossible. After all, who would have predicted double-digit inflation in major economies a year ago?

A TRUST STRUCTURE CAN BE AN IDEAL SOLUTION

Determining who will inherit your wealth is often one of the most straightforward questions to answer, yet it's deeply personal. This decision is usually intertwined with considerations about timing. For instance, if you're prioritising the long-term wellbeing of your young grandchildren, a trust structure can be an ideal solution. This arrangement could assist with significant future expenses such as private education, university fees or property acquisitions.

Trustees have the discretion to distribute the funds to the beneficiaries according to the stipulations of the trust deed. Additionally, by becoming a trustee yourself, you retain some control over the process. This option can be particularly valuable if a beneficiary has special requirements, as the trust can be tailored to protect their long-term interests. There's also the option of allocating part of your wealth to charities with a special place in your heart.

THE MOST EFFECTIVE WAY TO MEET YOUR GOALS

The method of transferring your wealth often becomes clear once you've addressed the 'who', 'what' and 'when'. Timing is a significant factor in this decision, alongside the practicality of making financial gifts during your lifetime. You must decide whether to make outright transfers or establish a trust structure if feasible. Despite adding a layer of complexity, a trust might be the most effective way to meet your goals.

Importantly, initiating conversations about future financial arrangements with your loved ones is crucial. Achieving the right balance between enjoying your current income and capital while efficiently passing wealth to your family requires careful thought. ■

DO YOU KNOW THE BEST WAYS TO PASS ON YOUR WEALTH?

The intricacies of wealth transfer can be daunting, but you don't have to navigate it alone. If you need further information or wish to discuss your wealth transfer plan in more detail, please don't hesitate to contact us. We're ready to guide you towards a secure financial future for you and your loved ones.

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The tax treatment is dependent on individual circumstances and may be subject to change in future. For guidance, seek professional advice.

Estate planning, tax, cashflow modelling, and trusts and Wills are not regulated by the Financial Conduct Authority.

SECURING **RETIREMENT**

THE ART OF DE-RISKING

For many individuals, their pension investments are allocated to funds. These could be funds selected by their pension provider or ones they've chosen independently. Traditionally, retirement planning has centred around investing in shares-based funds during one's younger years. As retirement approaches, the strategy typically shifts to de-risking the portfolio, diversifying into bonds, cash and shares.

However, this strategic shift could leave some savers worse off if they fail to communicate their planned retirement age to their pension provider. De-risking pension savings is a common practice many individuals and organisations adopt as they approach retirement. The traditional convention involves transferring assets into less risky investments to protect them from market volatility in the lead-up to retirement.

This strategy is often implemented in defined contribution (DC) schemes, where clients' funds are automatically shifted into cash and bonds as they near their standard retirement age. Pension schemes transition money from higher-risk stocks and shares to lower-risk assets like government bonds as you near retirement – the process is also known as adopting a 'lifestyle' strategy.

DE-RISKING TIMELINE

Investing in stocks and shares is inherently more volatile than bonds, making this shift a protective measure for your pension value, especially when there's less time for investments to recover from a sudden dip.

The pension provider decides the de-risking timeline based on your expected retirement age. Hence, savers must keep their pension scheme updated about their retirement plans and clearly understand how their money is managed.

TARGET RETIREMENT AGE

At the age of 50, it might be challenging to ascertain precisely when you plan to retire.

However, ensuring your pension scheme knows your target retirement age is vital for timely de-risking. Otherwise, you may miss out on the full benefits of the investment growth phase, resulting in less money than anticipated at retirement.

Pension schemes typically shift your money from a growth fund, primarily composed of stocks and shares, to a consolidation fund dominated by bonds five to fifteen years before your stated retirement date. Bonds, essentially loans to governments or companies, offer a fixed interest rate or coupon, providing a lower investment risk avenue.

SCHEME'S DEFAULT FUND

However, prematurely transitioning from equities could affect your investment returns. Should you then stick with risk? Bonds are typically viewed as a shield against stock market fluctuations, as they usually rise in value when share prices drop. This makes them appear as a safe haven against market volatility.

However, the turbulence witnessed in stock and bond markets over the past few years challenges this long-standing theory. If you prefer not to de-risk your investments, you could request your money to be moved out of the scheme's default fund and into an alternative one that won't be 'lifestyled'.

VARIOUS LIFESTYLING OPTIONS

Lifestyling is a unique investment approach designed to protect your pension savings by automatically transferring them into lower-risk funds as you retire. This strategy aims to align your pension savings with your retirement plans, reducing risk as you edge closer to your golden years.

There are various lifestyling options, each tailored to the specific needs of different pension plans. Your choice of lifestyling strategy could shield you from short-term falls in your pension savings value as you near retirement. It's all about aligning your pension savings with your future plans and aspirations.

ADVERSE EFFECTS OF INFLATION

The reality of inflation is that everyday essentials become more expensive over time, causing your money's buying power to diminish. This is where lifestyling can come in handy, acting as a protective barrier against the adverse effects of inflation on your pension savings.

Despite its focus on risk reduction, it's crucial to remember that lifestyling only partially eliminates risk. Like any investment, the value can fluctuate, potentially decreasing and increasing. As such, your returns may not equal your initial investment.

INDIVIDUAL SITUATIONS AND NEEDS

When choosing a lifestyle strategy, it's essential to consider how you plan to utilise your pension savings. Every individual's situation and needs are unique, so a one-size-fits-all approach may not be the best route.

Remember, everyone's retirement needs and risk tolerance vary. A standardised lifestyling approach may not align with your unique financial goals and circumstances. ■

NEED MORE INFORMATION?

If you have any questions or require further information about managing your pension investments effectively, don't hesitate to contact us. We are here to assist you in navigating the complexities of retirement planning. Your financial future is our top priority.

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HEIGHTENED INTEREST RATES **INCREASE DEMAND FOR ANNUITIES**

WHAT WILL YOU DO WITH YOUR HARD-EARNED PENSION POT AT RETIREMENT?

As we navigate life's journey, retirement presents both a dream and a challenge. It's the stage where we finally enjoy the fruits of our labour, a time for relaxation, exploration and personal growth. But the question that often looms is how can we ensure a steady income stream that keeps pace with our aspirations and maintains our lifestyle? Enter the world of annuities.

Annuities in recent years have often been overlooked in the retirement planning conversation. But current heightened interest rates have increased demand for annuities, offering unparalleled peace of mind, knowing that your basic needs will be covered, irrespective of how the financial markets perform.

SECURING THE BEST POSSIBLE DEAL

They offer a steady, guaranteed income throughout your retirement years or for a specific period. But given the irreversible nature of purchasing an annuity, it's imperative to thoroughly explore your choices, select the most suitable type and secure the best possible deal.

Annuities provide a practical means of converting your accumulated pension savings into a lifelong source of income. Comparing rates across various providers is essential once you determine your required income level. This process, known as the 'open market option', allows you to bypass your provider's offer and potentially secure a higher rate with another provider.

BOOSTING YOUR RETIREMENT INCOME

Shopping around could boost your retirement income by as much as 20%. To put it in perspective, simply by exploring your options, you could increase your retirement earnings by nearly £6,000. Recent analysis reveals that a 66-year-old with a £100,000 pension pot can now purchase an annuity yielding an annual income of £7,000 – an increase of £174 compared to last year[1].

The analysis highlights a striking difference between the best and worst annuities available. For a 66-year-old with a £100,000 pension pot, rates can vary by up to 3.6% – equating to a potential annual income discrepancy of £254 or £5,945 over an average retirement period[2].

MAKING THE RIGHT CHOICE

Securing the right annuity for your needs can seem daunting, given the variety of options available. This one-time, typically irreversible decision is vital, and understanding the different types of annuities can greatly facilitate the process.

When choosing an annuity, you can select a conventional level-income annuity, which ensures consistent payments throughout your life. Alternatively, an increasing annuity starts with a lower initial income, but your payments increase annually in line with inflation or a predetermined rate, such as 3% or 5%. It's essential to carefully consider the options' costs and benefits to make the most suitable choice.

SELECTING AN ANNUITY

Your marital status is another significant factor in selecting an annuity. If you opt for a single-life annuity, it will only pay out during your lifetime. In contrast, a joint-life annuity provides a full payout to you during your life and, after your death, it typically pays 50% of that amount to your partner until their demise.

Another option worth considering is a guaranteed income period. Under this plan, payments continue until the end of a chosen period (usually five or ten years), even if you pass away prematurely. In such a scenario, the income would be paid to your beneficiaries or estate, offering them financial security.

CERTAIN LIFESTYLE CONDITIONS

An enhanced annuity may be the right option for those with certain lifestyle conditions or medical history. Whether you smoke, are overweight, have type 2 diabetes, or have suffered from cancer, heart disease or other life-threatening conditions, you may be eligible for an enhanced annuity, which results in higher payouts.

The rates are increased to reflect the potential impact of these conditions on your lifespan. Even conditions like excess weight or high blood pressure could qualify you for an enhanced annuity. ■

WILL YOU ENJOY A GUARANTEED INCOME IN RETIREMENT?
When contemplating the purchase of an annuity, you must receive all necessary professional financial advice and guidance before deciding. We're here to help you navigate these complex decisions and explore your options. If you require further information or assistance, please don't hesitate to contact us.

Source data:
[1] As of 30/9/23, a standard lifetime annuity with a rate of 7% for a single life with a £100k premium, 66 years old, with a 5-year guarantee. Based on a level benefit that is paid monthly in advance.
[2] As of 30/09/2023, Legal & General Retail estimates that an average 66-year-old with a standard level of health will have a life expectancy of 90 years.

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MAKE THE MOST OF YOUR WEALTH

OPENING UP A WORLD OF POSSIBILITIES FOR YOUR FUTURE

Like health, the more meticulously you manage your wealth, the longer it lasts. A growth strategy seeks to amplify your wealth over the long haul, opening up a world of possibilities for you. Whether you dream of a large retirement fund, a holiday home or providing top-tier education for your children or grandchildren, a growth portfolio could be your ticket.

Choosing a growth investment strategy hinges on factors such as age, investment timeframe, risk tolerance and life goals. Given its long-term nature, growth investing tends to be a good fit for younger investors – those in their 20s, 30s, or 40s – eager to optimise their investments by targeting the higher returns that growth portfolios aim to deliver.

GROWTH STRATEGY

Contrary to popular belief, a growth strategy is for more than just the young. It can also be a compelling route for seasoned investors who view their capital as a legacy to be nurtured for future generations. Growth portfolios lean towards asset classes like equities and multi-asset funds, which offer the best potential for yielding higher, long-term capital returns.

Growth investors strive for increased exposure to sectors and regions projected to experience above-average long-term growth within these asset classes and funds. This is based on meticulous analysis and stringent investment criteria and may involve carefully managed investments in emerging markets or tech stocks.

RISK APPETITE

Everyone has a different risk appetite and tolerance for losses when investing. Some investors are highly risk-averse, sticking to savings accounts, while others might be drawn to higher-risk investments like stocks and shares.

Staying invested for the long haul, rather than attempting to trade and time the market actively, is one of the most effective ways to mitigate risk. The age-old wisdom of diversifying your investments – essentially, not putting all your eggs in one basket – rings true here. Betting all your funds on one particular stock or sector is more akin to gambling than investing.

REINVESTING CAPITAL

Growth strategies also capitalise on the power of compounding by reinvesting capital and dividends. You may have reached a stage where you want to convert your assets into regular payments that support a comfortable lifestyle or afford life's luxuries. This tends to be especially crucial for those planning retirement, funding care costs, supplementing their primary income or financing education.

There's no universal answer, as the level of income you need is as unique as you are. It depends on your lifestyle, age, health and goals. Your regular expenses can range from bills and food to significant expenditures like mortgage payments and maintenance costs. And that's before considering discretionary spending on holidays, hobbies or education.

SUFFICIENT INCOME

Striking the perfect balance involves drawing sufficient income from your investment without undermining its value. Our role is to guide you in achieving this equilibrium through a diversified investment strategy crafted uniquely for you.

Dividend and interest payments alone may not meet your cash flow needs. Hence, our attention is concentrated on achieving an ideal income level, all while ensuring that the risk involved aligns with your comfort zone.

INVESTMENT PORTFOLIO

Another critical aspect to consider is making provisions for inflation within your strategy. The goal is to develop a strategy to preserve the real-term value of income derived from your portfolio. We'll help you explore options and structure your portfolio to cater to your needs.

Withdrawing large amounts from your savings and investments portfolio will inevitably reduce your base capital. Your remaining funds must then work harder and could run out sooner than anticipated. Inflation will also significantly threaten long-term savings, making incorporating this factor into your strategy essential. ■

ARE YOU LOOKING FOR AN INVESTMENT STRATEGY BUILT ENTIRELY AROUND YOU?
After thoroughly understanding your specific needs, including your preferred investment timeline, risk tolerance and ability to withstand potential losses, we will design a custom investment portfolio that aligns with these goals. To find out more or to discuss your requirements, please get in touch with us.

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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.

BALANCING PROFIT AND PLANET

STRIVING TO USE IMPACT TO BOOST INVESTMENT RETURNS

ESG (Environmental, Social and Governance) investing, a socially responsible investing approach, seeks to harmonise financial returns with a company's environmental impact, stakeholder relationships and global footprint. Our planet faces numerous challenges, from climate change to a rapidly growing and ageing population.

Understanding and incorporating ESG risks and opportunities into your investment strategy improves decision-making and enables you to seek more beneficial investment outcomes. By examining and synthesising ESG data, we can help you to make more informed and sustainable investment choices.

PREPARING FOR FUTURE CLIMATE CHANGE

Responsible investing is aligning investments with personal values, investing in what is deemed right, and steering clear of industries or practices that contradict those values. Such issues were highlighted at COP28 last year during the 28th annual United Nations (UN) climate meeting, where governments discussed limiting and preparing for future climate change.

The summit was held in the United Arab Emirates (UAE) from 30 November until 12 December 2023 and reviewed the Paris Agreement progress – the landmark climate treaty concluded in 2015 – charting a course of action to reduce emissions and protect lives dramatically.

APPROACH TO THREE CRITICAL FACTORS

ESG investing is a method of investing that prioritises companies that stand out in their approach to three critical factors. The environmental aspect considers a company's energy use, sustainability policies, carbon emissions and efforts towards resource conservation.

The social component of ESG investing highlights a company's relationships with its employees and the communities it serves. It examines factors like employee welfare, workplace safety and the company's contribution to the community. Governance, the third pillar of ESG, scrutinises a company's leadership, executive pay, audits, internal controls, independence, shareholder rights and transparency.

COMMENDABLE RECYCLING POLICY

However, ESG categorisations can be open to interpretation, complicating matters for investors with specific ethical requirements. For instance, you could unknowingly invest in a sugary drinks manufacturer with a commendable recycling policy, earning it high 'E' scores. But are sugary drinks beneficial for society? Responsible investing can be subjective, with different issues holding varying levels of importance for different individuals.

The growing popularity of ESG investing has also attracted opportunists who falsely represent themselves as ESG businesses or funds. This practice, known as 'greenwashing', is a pitfall that responsible investors need to sidestep.

GUARD AGAINST GREENWASHING

How can ESG investors guard against greenwashing? The key lies in selecting companies with products or services that genuinely address global challenges. This is where 'impact investing' comes into the picture. Impact investing involves choosing companies that aim to impact the planet and its inhabitants positively. It encourages positive inclusion, naturally excluding exposure to undesirable sectors.

It's about investing where there is potential for a positive contribution. By seeking out companies actively working to make a difference, you can be more confident that your investments contribute positively, rather than supporting companies that merely slap on an ESG label without genuinely striving to improve the world. ■

READY TO LEARN MORE ABOUT ESG AND IMPACT INVESTING?
Feel confident in your investments with the right professional financial advice. Please get in touch with us if you want to learn more about ESG and impact investing or need help navigating this investment landscape. We're here to guide you in making informed, responsible investment decisions.

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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.

TIME TO KICKSTART YOUR **RETIREMENT PLANS?**

HOW TO GET YOUR RETIREMENT PLANS IN MOTION

Retirement signifies a well-deserved achievement, a significant turning point in life. It should be a period of anticipation and joy, an opportunity to indulge in activities that bring happiness and contentment. Currently, retirement is marked by increased flexibility in accessing your pension savings. While this offers many choices, it also gives rise to numerous queries.

Retirement planning, accompanied by crucial decision-making and understanding various options, might seem daunting, especially with the escalating cost of living affecting several financial plans. This is where the value of professional retirement advice comes into play. We can help you simplify major decisions by clarifying your options, instilling confidence in your choices and ensuring they are beneficial and tax-efficient.

RETIREMENT LIFESTYLE

With the UK witnessing record-breaking inflation in food and fuel prices, the rising cost of living undoubtedly influences our financial plans. If retirement is on the horizon, apprehension about increasing inflation, interest rates and the potential impact of the cost of living crisis on your retirement lifestyle is quite natural.

We can guide you in such circumstances and assist in determining an achievable retirement date based on your total income and expenses. When you include all your potential income sources, not merely your pension savings, you might discover the possibility of retiring earlier than anticipated or gradually reducing work hours before fully retiring. Even if immediate retirement is outside your agenda, we can help you understand when you can afford to retire.

INCOME SOURCES

We'll work with you to analyse all your income sources to estimate your possible annual income post-retirement while ensuring you have sufficient funds for as long as you need. Income sources will likely include pensions, your entitlement to a State Pension, and any savings or investments like Individual Savings Accounts (ISAs). Rental income from a buy-to-let property may also be an option, in addition to any equity in your home that you're willing to release, either through downsizing or equity release.

As your retirement may last 30 to 40 years, ensuring your income lasts throughout this period is crucial. As we've witnessed over the previous few years, inflation rates have reached double-digit figures, so ensuring your money is working hard for you is more important than ever.

BEAT INFLATION

Investing a portion of your money during retirement also offers growth and an opportunity to beat inflation. This is where our professional advice is essential, helping to ensure your money is invested wisely and that your investments align with your retirement plans. However, remember that investments can fluctuate in value, and you may get back less than you initially invested.

Overpaying taxes in retirement is another common pitfall. For instance, if you withdraw more from your pension savings than necessary, you could pay more tax than required. We can guide you through this, ensuring you draw your retirement income in the most tax-efficient way. However, bear in mind that tax laws and legislation can change. Your circumstances, including your location within the UK, will significantly impact your tax treatment. ■

ARE YOU IN CONTROL OF YOUR RETIREMENT PLANS?
If you require further information or have more questions, please get in touch with us. We are always ready to provide guidance and answer any queries. We'll work with you to ensure you control your retirement plans so your retirement is as comfortable and fulfilling as possible.

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The Financial Conduct Authority does not regulate most buy-to-let mortgages.

GENDER PENSION GAP

THE POTENTIAL BARRIER TO REACHING THE SAME SAVINGS LEVELS AS MEN

The gender pension gap is an issue that extends beyond just the disparity in earnings between men and women. It also encompasses other aspects such as financial confidence, engagement with financial products and socio-economic factors.

According to new research, women are 33% more likely than men to say they do not understand how their pension works, indicating a lack of financial confidence[1]. This lack of confidence may explain why some women are less likely to engage with financial products. For instance, women are 38% less likely than men to have a Stocks & Shares ISA and 32% less likely to have a private pension.

CAREER BREAKS FOR CHILDCARE

This engagement gap, along with other factors like the gender pay gap, could result in young women in the UK (aged 22 to 32) having just £12,873 per year by the time they retire in the 2060s. In contrast, young men are projected to have nearly a third more, receiving an average of £19,803 in annual income.

The research highlights the gender pay gap also contributes significantly to the gender pensions gap. By the age of 27, women already earn £10,000 less than men of the same age. Other factors impacting women's pension savings include being less likely to hold senior leadership positions and being more likely to take career breaks for childcare.

REACHING THE SAME SAVINGS LEVELS

According to the research, young women are currently projected to have £300k less in their pension pots than their male counterparts by the time they reach the current State Pension age. Women are also more likely to work part-time or on reduced hours, take career breaks for childcare, act as unpaid carers or need time off work for medical reasons, such as menopause.

In addition, women often self-identify as having lower confidence regarding savings and investments. This presents another potential barrier to reaching the same savings levels as men. Addressing this issue requires a multi-faceted approach that includes promoting financial literacy among women, creating policies that support women during career breaks and addressing the gender pay gap. ■

READY TO SECURE YOUR FINANCIAL FUTURE TODAY?
The gender pension gap is a pressing issue. If you have any concerns, we can help you overcome them with the right actions. Don't let it dictate your retirement. You can secure your financial future with the right knowledge, planning and action. To find out more and to discuss your situation, please get in touch with us. We look forward to hearing from you.

Source data:

[1] Analysis based on the following research and assumptions for Legal & General by Opinium Research conducted 2,000 online interviews of people aged 22-32 between 15–29 August 2023 - CPI = 3% • Salary premium = 1% - Salary increase = 4% p.a. (this assumes that salary increases on an annual basis up to retirement at 68) - Median male salary at age 27 = 35,000 - Median female salary at age 27 = 25,000 - Start saving into a workplace pension at age 22, retiring at age 68 -Investment return on pension pot, assuming broad 60/40 asset split, (7% p.a., 4% real) - Qualifying earnings – Currently (£6,240 to £50,270), Historical years (actual LEL and UEL), Future years (increased annually by CPI assumption) - Income based on current Legal & General annuity - fixed rate, single person annuity at age 68, with a 10-year GMPP. Women are 33% more likely than men to say they do not understand how their pension works - 320 (men) – 425 (women) = 105. 105 / 320 = 32.8125% (33%) Women are 38% less likely than men to have a Stocks & Shares ISA - 324 (men) – 201 (women) = 123. 123 / 324 = 37.962962962963% (38%) Women are 32% less likely to have a private pension - 324 (men) – 221 (women) = 103. 103 / 324 = 31.79012345679% (32%)

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THE POWER **OF PREVENTION**

AN EFFECTIVE FINANCIAL PLAN ACTS AS YOUR PROTECTIVE SHIELD

In the realm of financial wellbeing, an old adage rings particularly true: 'Prevention is better than cure.' An effective financial plan acts as your protective shield, specially designed to weather any economic storm that may come your way. It offers comfort and control, ensuring that you are steering the ship of your finances, not vice versa.

However, the key lies in establishing this plan early enough to counteract the short-term risks associated with market volatility. So, what constitutes a sound financial plan, and how can it help you navigate the unpredictable financial waters?

RISK MANAGEMENT IS A CORNERSTONE OF A SOUND FINANCIAL PLAN

Market fluctuations are beyond our control and prediction. Therefore, understanding risk and its potential impact on our plans becomes crucial. But how does one translate this theoretical concept into practical application?

Financial planning dissects the complex notion of risk into three manageable components:

Risk appetite: Also known as 'attitude to risk', this term refers to the level of risk you are willing to accept as an investor. It's an emotional response to risky situations, gauged through quantitative questions and qualitative discussions.

Capacity for loss: This is a numerical evaluation of your ability to withstand short-term investment losses while still achieving your long-term goals.

Investment time horizon: This aspect pertains to the duration you intend to remain invested before accessing your wealth. The longer your time horizon, the better your capacity to endure short-term return volatility.

A comprehensive risk assessment at the beginning of your financial planning journey ensures that all components of your plan align with your risk profile. With a clear understanding of your risk tolerance, short-term market volatility should not significantly derail your long-term strategy.

TAX ALLOWANCE UTILISATION IS A VITAL PART OF FINANCIAL PLANNING

Choosing the right mix of assets for your investments is just one piece of the equation. A good financial plan also capitalises on the various tax allowances available, commonly called 'tax wrappers'. These include pensions including Self-Invested Personal Pensions (SIPPs), Individual Savings Accounts (ISAs), General Investment Accounts (GIAs) and Offshore Bonds.

Each of these accounts offers unique tax advantages and access constraints. For instance, pensions are long-term investments that can afford a riskier asset portfolio until you near retirement. ISAs can be used for both short-term and long-term savings, with the time horizon and purpose of saving dictating the appropriate risk profile. While General Investment Accounts come with limited tax allowances, they play a crucial role if you aim for your savings to outpace inflation.

UNDERSTANDING RISK-ADJUSTED OUTCOMES

Your risk appetite and investment time horizon play pivotal roles. The key lies in aligning your financial strategy with your unique circumstances. Maximising the long-term potential return for your comfort level of risk is crucial. We can ensure your investments align with your risk tolerance.

CASH FLOW MODELLING PROVIDES YOUR FUTURE AT A GLANCE

Cash flow modelling might sound complex, but it's a way to visualise your financial future. What are your dreams and aspirations? When do you want to achieve them? Whether it's retirement, buying a second property, funding education, planning a wedding, or even a dream holiday, each goal carries a financial implication.

With cash flow modelling, you can explore various scenarios and determine how to reach your goals. What if you retire earlier? Or later? What if you transition to part-time work? What if you can't work for an extended period? Once you know what you'll need and when, the next step is to figure out how to achieve it. Do you have current savings or investments? How are they structured? How many workplace pensions have you been a part of? Do you have any personal pensions? Are they invested appropriately for your objectives, life stage and risk tolerance? ■

DO YOU REQUIRE MORE INFORMATION OR WISH TO DISCUSS YOUR OPTIONS?
For further information or assistance in financial planning, don't hesitate to contact us. We are ready to help you create a personalised financial plan that aligns with your risk tolerance and future aspirations. Take control of your financial future today.

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