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BRIGHT IDEAS TO MAKE MORE OF YOUR MONEY THIS SUMMER

7 steps to surviving investment volatility

PENSIONS ROULETTE

Retirees tap into savings earmarked for retirement

ARE YOU UNPROTECTED AND AT RISK OF FINANCIAL HARDSHIP?

Put some shock absorbers in place to deal with the unexpected

COULD YOU BE ENTITLED TO A HIGHER LEVEL OF RETIREMENT INCOME?

If you have underlying health conditions you should talk to us

THE RISK IN DOING NOTHING

Don't minimise your chance of achieving your goals

REDUCING YOUR FAMILY'S INHERITANCE TAX BILL

Let us help you find the right wealth structure or combination of structures

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Financial planning is our business.

We're passionate about making sure your finances are in good shape.

Our range of personal financial planning services is extensive, covering areas from pensions to inheritance matters and tax-efficient investments.

Contact us to discuss your current situation, and we'll provide you with a complete financial wealth check.

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TO DISCUSS YOUR FINANCIAL PLANNING REQUIREMENTS OR TO OBTAIN FURTHER INFORMATION, PLEASE CONTACT US

EDITORIAL

Many investors will have had a roller-coaster ride recently. Fallout from the eurozone crisis has created the most turbulent period in world stock markets since the downturn began in 2008. However, amid all this gloom there is some good news. The simple truth is that volatility is a fact of investment life; you're often better served staying in the markets over the long term than pulling out. On page 06 we look at why, and how, you can do it.

A practical consequence of living longer is that retirement lasts longer. Pensions have to stretch further. Pension legislation is always on the move and keeping up to date with the latest changes could open up new opportunities for you in retirement. Read the full article on page 12.

It is an unfortunate fact of life that as we get older, we are more at risk of getting underlying health conditions. Nearly three quarters of UK adults aged 55 and over are unaware that certain medical conditions could entitle them to a higher level of pension income through their annuity provider. Turn to page 30.

A full list of all the articles featured in this edition appears on page 03.

If you are a young investor saving for a pension you may be more likely to take higher levels of risk due to the greater length of time to recover short-term losses

THE RISK IN DOING NOTHING

Don't minimise your chance of achieving your goals

Risk is a fact of life for any investor. Thanks to inflation, there's even risk in doing nothing. To earn rewards you have to assume some level of risk. If you minimise risk you may also minimise your chance of achieving your goals.

RISK PROFILING

Determining the level of risk you are prepared to take is a process known as 'risk profiling'. This is essential as the more accurate your risk profile, the greater the chance of recommending the most suitable investments for your needs.

PERSONAL CIRCUMSTANCES

Of course, your personal circumstances form an important part of the risk profiling process. Are you investing for income, growth or both? Your age is also important: if you are a young investor saving for a pension you may be more likely to take higher levels of risk due to the greater length of time to recover short-term losses.

All types of investment carry some risk of making a loss. The main thing is to be comfortable that your investments represent, as closely as possible, a level of risk acceptable to you, and continue to do so. ■

REMEMBER THAT OVER TIME, AS YOUR PERSONAL CIRCUMSTANCES AND THE ECONOMIC OUTLOOK CHANGE, SO TOO MIGHT YOUR ATTITUDE TO RISK. SO IT'S ESSENTIAL THAT YOU REGULARLY REVIEW YOUR INVESTMENTS WITH US TO MAKE SURE THEY CONTINUE TO REFLECT YOUR NEEDS. TO FIND OUT MORE ABOUT HOW WE COULD HELP YOU, PLEASE CONTACT US.

BRIGHT IDEAS TO MAKE MORE OF YOUR MONEY THIS SUMMER

7 steps to surviving investment volatility

Many investors may have had a roller-coaster ride recently. Fallout from the eurozone crisis has created the most turbulent period in world stock markets since the downturn began in 2008. However, amid all this gloom there is some good news. The simple truth is that volatility is a fact of investment life; you're often better served staying in the markets over the long term than pulling out. Here's why, and how, you can do it.

1. REMIND YOURSELF WHY YOU INVESTED

Most people invest in order to achieve a better return than they'd receive from other forms of saving, such as bank deposits. While it may be tempting to squirrel away cash in a bank, pulling out of the market when it's falling is one of the worst things you can do as you'll simply crystallise your losses.

If you'd stuck with the FTSE All-Share Index over the past 20 years, your portfolio would have increased by 361 per cent, or 7.94 per cent a year. However, if you'd pulled out and missed the best 20 days' performance, you'd have gained only 60.8 per cent, or 2.4 per cent a year [1]. Remember, though, that past performance isn't a guide to future performance.

2. REMEMBER YOUR OWN TIME HORIZONS AND GOALS

Many investors overreact to short-term market volatility, which isn't usually relevant to their long-term goals. Review your strategy and remind yourself why you're investing – is it for your young children's university fees or are you saving for retirement? These objectives are unlikely to have changed, even if the market has taken a tumble.

3. DON'T PUT ALL YOUR EGGS IN ONE BASKET

The key to long-term investment success is having a good balance of investments – for example, diversify between different types of funds, equities, property and cash. Piling all your money into one asset class is high risk. Check where your funds are invested: spread holdings over different sectors and geographical areas. Review the balance of your assets: are you exposed to too much or too little risk? For instance, if you previously had 50 per cent of your investments in equity-based growth funds, it's likely that market falls will have reduced this share as a percentage of the whole. You should check to see if this new asset allocation matches your risk profile.

4. CHECK YOUR EXPOSURE TO RISK

The younger you are the greater exposure to equities you might want to accept, as you have more time to make up any losses. However, if the recent ups and downs have become too much for you, consider reassessing your attitude to risk.

5. DRIP-FEED YOUR INVESTMENTS

Drip-feeding money into investments at regular intervals allows investors to smooth out risk through 'pound-cost averaging'. This forces you to invest in all conditions, thereby helping to avoid the poor decisions that many people make when trying to second-guess the market. When the market falls, your payment will buy more shares or units in a fund so you'll have a bigger holding when markets recover.

6. TAKE COUNTER MEASURES

Look at the type of investment funds you hold and make sure they are best placed to give you some protection when markets slump, but also to benefit when they bounce back. Good-quality fixed interest funds are likely to be relatively stable, whereas equity funds will be more volatile, so you should look to hold a combination in the right mix for you. You could perhaps consider absolute return funds, which aim to produce a positive return in all conditions. However, not all have produced the desired result amid the recent volatility and many charge performance fees on top of the annual management charge.

7. CHANGE FUNDS IF THEY'RE CONSISTENTLY UNDERPERFORMING

If certain funds are repeatedly failing to deliver, it's time to assess whether they're worth holding on to or not. Chopping and changing funds may incur management fees though, so you could consider using 'funds of funds', where the fund manager does this for you. ■

As property is a specialist sector it can be volatile in adverse market conditions, there could be delays in realising the investment. The value and income received from property investments can go down as well as up.

[1] Figures correct to 07/11/11. Source: Standard Life Investments using Thomson Reuters Datastream.

NO MATTER WHAT YOUR INVESTMENT GOALS ARE AND HOW MUCH YOU WISH TO INVEST, WE CAN WORK WITH YOU TO DEVELOP THE MOST APPROPRIATE PORTFOLIOS TO REFLECT YOUR INVESTMENT STRATEGY. THE PRICE OF UNITS IN INVESTMENT-LINKED FUNDS DEPENDS ON THE VALUE OF THE UNDERLYING ASSETS AND CAN GO DOWN AS WELL AS UP. YOU MAY NOT GET BACK AS MUCH AS YOU INVEST. PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE AND SHOULD NOT BE USED TO ASSESS THE RISK ASSOCIATED WITH THE INVESTMENT.

REDUCING YOUR FAMILY'S INHERITANCE TAX BILL

Let us help you find the right wealth structure or combination of structures

Inheritance tax (IHT) doesn't only affect the very wealthy. Rising property prices over the past few decades have meant it's now an issue for an increasing number of people in the UK. So what steps can you take to ensure that your money goes to your loved ones and not to the taxman?

GIVE YOUR FAMILY LASTING BENEFITS

The structures into which you can transfer your assets can have lasting consequences for you and your family and it is crucial that you choose the right ones. The right structures can protect assets and give your family lasting benefits in an uncertain world.

IHT is a tax on your estate – the things that belong to you – when you die and is also sometimes payable on trusts or gifts made during your lifetime. Your estate includes the total of everything you own and a share of anything you own jointly. With appropriate planning you may be able to reduce the bill or avoid IHT altogether.

For the current 2012/13 tax year, no IHT is charged on the value of your estate up to £325,000. This is known as the 'nil rate band' and everything above that is taxed at 40 per cent.

Things that might count towards your estate include:

- Property
- Investments
- Insurance
- Payment from a pension plan or employee death benefit
- Other assets, for example, cars, art, jewellery, furniture
- Gifts you have made but still benefit from, for example, a house you have given away but still live in
- Certain gifts that you have made in the last seven years
- Assets held in trust from which you receive personal benefit
- If you own assets jointly, your share of their value is included in your estate

If an individual's IHT nil rate band is not used up on their death, the unused proportion can be transferred to their surviving spouse or registered civil partner. Assets passed between spouses or registered civil partners are exempt from IHT (assuming they are domiciled in the UK), regardless of their worth and how soon you die after making them. These rules also apply to gifts made to charities.

Additionally, any amount of money you give away outright will not be counted for IHT if you survive for seven years after making the gift. If you die within this period, the amount of the gift will be included within your estate. Taper relief may apply in these circumstances and could reduce the amount of IHT due.

Bear in mind tax laws are subject to change, possibly retrospectively. Also, the rules for individuals who are not UK resident or not UK domiciled are different and therefore tax and local laws should be considered by a potential investor.

PLANNING FOR INHERITANCE TAX

There are a number of options that could, if appropriate, potentially reduce your family's IHT bill.

Make a will – an effective will could help reduce an IHT bill.

Look into exemptions – there are a number of exemptions you can use to reduce the value of your estate. For example, moving assets between spouses or registered civil partners does not create an IHT liability.

Consider gifts – if you can afford to give away some of the assets you own, it may be possible to reduce the size of your estate

Think about life assurance – a life assurance plan written in an appropriate trust won't actually lessen the IHT bill but the proceeds could be used to help pay the bill on death.

Consider trusts – if structured carefully, trusts can help to reduce or even eliminate an IHT liability. ■

OUR EXPERTISE IS IN FINDING THE RIGHT WEALTH STRUCTURE OR COMBINATION OF STRUCTURES FOR YOU. WE OFFER MANY DIFFERENT WEALTH-STRUCTURING SOLUTIONS. TO FIND WHICH COMBINATION IS BEST FOR YOU AND YOUR FAMILY, PLEASE CONTACT US FOR MORE INFORMATION - DON'T LEAVE IT TO CHANCE.

Levels and bases of and reliefs from taxation are subject to legislative change and their value depends on the individual circumstances of the investor. The Financial Services Authority does not regulate estate planning, wills or trusts.

'GOLDEN AGE' OF PENSIONERS

Only a quarter of Britons believe they will be better off than their parents when they retire

> "LESS THAN A QUARTER (22 PER CENT) OF BRITONS ARE CONFIDENT THEY WILL HAVE SUFFICIENT RESERVES OF INCOME TO STOP WORKING, PARTICULARLY GIVEN THE CURRENT LEVEL OF ECONOMIC UNCERTAINLY."

Research [1] from Schroders reveals that just 26 per cent (10.3 million) of Britons believe they will be better off than their parents' generation when they retire. The findings reveal that 44 per cent (17.2 million) of people believe they will be worse off in retirement than their parents, fostering feelings of jealousy of a perceived 'golden generation' of pensioners who have benefited from significant gains in the value of their property and generous final salary pensions.

DESPERATELY TRYING TO BOOST RETIREMENT INCOME

The biggest fear that Britons (79 per cent) have about retirement is having too low an income to fund their desired standard of living or inflation eroding the value of their savings, while 1 in 20 (5 per cent) cite their biggest fear as being forced to sell their home. In response to these fears, Britons with pensions are desperately trying to boost their retirement income by increasing their monthly contributions.

Over one quarter (27 per cent) of private pension holders have increased their contributions in the last 12 months. Of those willing to disclose the additional amount they were investing, the average monthly increase in contributions was £84.

SUFFICIENT RESERVES OF INCOME TO STOP WORKING

Less than a quarter (22 per cent) of Britons are confident they will have sufficient reserves of income to stop working, particularly given the current level of economic uncertainly. As a consequence, one in five (21 per cent) people are planning to extend their anticipated retirement date. Of those planning to extend their retirement, they anticipate working on average another six and a half years, which would see millions of Britons working well into their seventies.

INVEST MORE TO HAVE A SUFFICIENT INCOME TO FUND RETIREMENT

There is a fear among many in employment that their standard of living and income will drop dramatically in retirement. With the closure of final salary schemes, reduced annuity rates and continued inflationary pressures, many Britons feel they will be worse off in retirement than their parents. While the 'golden age' of pensioners who benefited from rapid house price inflation and generous pension schemes is well behind us, millions of people recognise that they will need to work longer and invest more if they are to have sufficient incomes to fund their retirement. ■

NO MATTER WHAT YOUR RETIREMENT GOALS ARE AND HOW MUCH YOU WISH TO INVEST, WE CAN WORK WITH YOU TO DEVELOP THE BEST SOLUTIONS FOR YOU. DON'T DELAY, PLEASE CONTACT US FOR A REVIEW OF YOUR PARTICULAR SITUATION.

[1] On 16-17 December 2011, Vision Critical conducted an online survey among 2,003 randomly selected British adults who are Springboard UK panellists. The margin of error, which measures sampling variability, is +/- 2.2 per cent. The results have been statistically weighted according to the most current education, age, gender and regional data to ensure samples representative of the entire adult population of the United Kingdom. Discrepancies in or between totals are due to rounding.

ONLY 26% OF PEOPLE BELIEVE THEY WILL BE BETTER OFF THAN THEIR PARENTS WHEN THEY RETIRE

THE MAIN FEAR OF 79% OF BRITONS LOOKING AHEAD TO RETIREMENT IS THAT THEIR INCOME WILL BE TOO LOW OR THAT INFLATION WILL ERODE THEIR SAVINGS

FEAR RESULTED IN MORE THAN ONE QUARTER (27%) OF THOSE WITH PRIVATE PENSIONS INCREASING THEIR CONTRIBUTIONS IN THE LAST 12 MONTHS

ARE YOU UNPROTECTED AND AT RISK OF FINANCIAL HARDSHIP?

Put some shock absorbers in place to deal with the unexpected

Awareness of 'protection' products is high but a worrying number of people are failing to take action, leaving their families vulnerable to change. Research from Scottish Widows shows that nearly three quarters (74 per cent) of people are putting their families' financial security at risk by failing to protect their future through life insurance, critical illness or income protection.

VULNERABLE FAMILIES

The fourth Scottish Widows Protection Report, based on research among more than 5,000 UK adults [1], shows a marked annual decline in the number of people taking out life insurance (38 per cent, down 6 percentage points from 2011), income protection (5 per cent, down 2 percentage points) and critical illness cover (11 per cent, down 1 percentage point), leaving themselves and their families vulnerable should the unexpected happen and their circumstances change.

CHANGE IN ECONOMIC CIRCUMSTANCES

Against this backdrop of decreased protection, the report indicates that families are even more vulnerable to change in their economic circumstances in 2012. Over half of respondents (52 per cent) now rely on just one income, echoing recent concerns from the Institute of Fiscal Studies, who stated that average UK household incomes have dropped by 6.4 per cent in real terms over the last two years.

SURVIVING FINANCIALLY

More people are saving (up 5 percentage points from 2011) and nearly 40 per cent of people are paying attention to paying off their household debts. However, even though the number of people saving has increased, respondents have little confidence that their savings will cover them in the event of a change of circumstances, with 60 per cent believing they would only survive financially for a short period of up to six months.

LOSING YOUR INCOME

Almost one in three households (28 per cent), report that they would have used up their savings within a month if they lost their income, a fifth of people would struggle to pay their mortgage and a third would find it difficult to cover their household bills within a year of losing their income.

In the event of losing a partner, 29 per cent of people say they would need to rely on their savings to cope financially, with 16 per cent saying they would turn to state benefits, even as worries over spending cuts prevail. 14 per cent admit that they just don't know how they would cope should something happen to their partner.

ESSENTIALS VS LUXURIES

The findings demonstrate that more people consider tangible items like having broadband (74 per cent), a car (75 per cent), a phone (57 per cent) and home ownership (57 per cent) as essential compared with protecting their family against critical illness (29 per cent) and loss of income (23 per cent).

Worryingly, more than a third of people view protecting their family in the event of illness a luxury and almost four in ten see protecting their income in the same light. A night out once a week (70 per cent), shopping trips (74 per cent), gym memberships (60 per cent) and family outings (50 per cent) are considered luxuries by many.

WHO'S PROTECTED?

The report finds that buying a home remains the primary trigger for taking out protection cover. This was given as the main reason for one in three critical illness and 27 per cent of income protection policies.

The biggest barrier to protection, especially when it comes to critical illness cover, is cost. Of those without a policy, 22 per cent say that they cannot afford cover and 15 per cent consider it to be a waste of money.

Instead, people will often spend any disposable income left at the end of the month on more tangible items that can be seen and used immediately. However, we would firmly advise families put some shock absorbers in place to deal with the unexpected and avoid any hardship that could be caused as a result. ■

NO MATTER WHAT YOUR FINANCIAL CIRCUMSTANCES ARE, IT'S USUALLY BETTER TO HAVE SOME PROTECTION INSURANCE IN PLACE RATHER THAN NONE, AND YOU SHOULD INCREASE OR CHANGE THE TYPE OF COVER YOU HAVE AS YOUR FINANCIAL AND PERSONAL CIRCUMSTANCES CHANGE. TO DISCUSS YOUR OPTIONS, PLEASE CONTACT US.

[1] The fourth annual Consumer Protection Report from financial provider Scottish Widows takes an in-depth look at the habits and attitudes of the UK adult population in order to analyse their protection provision.

The survey was carried out online by YouGov, who interviewed a total of 5,086 adults between 4-9 January 2012. The figures have been weighted and are representative of all UK adults (aged 18+).

LONG-TERM CARE COSTS TO HIT £38BN A YEAR BY 2025

Increases would be even higher if the effects of inflation were taken into account

The Future of Long Term Care report, launched by retirement specialist LV=, shows that as life expectancy in the UK increases, the number of people who will need to make use of formal long-term care services will grow from 840,184 today to 1.1 million by 2025, an increase of 37 per cent.

11.5m
The number of Britons who would use their property to cover the cost of their own long-term care

£33,000
The expected annual cost of long-term care in the UK per person by 2025

37%
Increase in percentage of people needing long-term care in UK by 2025

COST OF LONG-TERM CARE FOR THE ELDERLY

In line with a rise in the number of Britons needing long-term care, LV= predicts the average cost of long-term care per person will rise by £7,000 to £33,000 in real terms per year by 2025 [1], an increase of 27 per cent. This puts the total cost of long-term care for the elderly in the UK at £37.9bn a year by 2025, compared to £21.8bn now [2]. Cost increases would be even higher if the effects of inflation were taken into account.

WHAT TYPE OF LONG-TERM CARE ARE PEOPLE IN?

The Future of Long Term Care report shows that 52 per cent (438,336) of those in formal care in the UK receive it in their home (domiciliary care), while 48 per cent (401,848) are cared for in a residential home. The split between those in residential care and those receiving care at home is expected to remain consistent in the future.

For residential services in nursing and care homes, currently those with assets worth over £23,250 are not eligible for Government support [3]. This report shows that the average wealth, including assets such as investments, savings and property after mortgage, of those over age 55 in the UK is just £32,500, indicating that under the current rules many would have to fund the entire cost of care themselves with no help from the state.

HOW WILL WE FUND LONG-TERM CARE?

While nearly a quarter of UK adults (24 per cent) expect an elderly relative to need long-term care in the future, one in four of these (7 per cent of all adults) plan to look after their loved ones themselves to avoid paying for care. Worryingly, almost half (46 per cent) of those expecting to fund care for others have not thought about how they will pay for it. Those that have say their savings (22 per cent) and salary (19 per cent) will be the main source of funding.

Nearly one in five (17 per cent) UK adults believe they will have to fund the cost of their own long-term care in the future. When asked how they would fund their own care if needed, nearly a quarter (23 per cent) said they would use their property to pay for care, either through equity release, re-mortgaging or selling their home. 18 per cent said they would use savings and 16 per cent would use their pension income.

One in seven (14 per cent) said they would rely on the state to cover their care costs, and a worried 12 per cent do not think they or their family would be able to afford any care and do not know how they will pay for it.

WHY ARE COSTS ON THE RISE?

The biggest reasons behind the rising cost of long-term care in the future are: women working later in life when they traditionally would have provided care; families increasingly living further apart, lessening the option of care within the family; and most significantly, the rapidly increasing elderly population in the UK putting pressure on the infrastructure of care services and driving up costs [4].

The UK is facing an uncertain future on the funding of long-term care. Low interest rates and rising living costs continue to be a problem, while social care budgets are being cut, creating a worrying financial backdrop for many, especially those in retirement. It is a real concern for people who have the burden of long-term care costs approaching, as currently they could be faced with an open-ended bill that makes it difficult to plan effectively to meet these costs.

GOVERNMENT FUNDING

The report from Andrew Dilnot, reviewing the funding system for long-term care in England, suggests that a cap on the amount people pay towards the cost of their care be set at around £35,000, and recommends that only those with assets worth over £100,000 should pay for the full cost of their care. The report from LV= reveals that 88 per cent of Britons agree there should be a cap introduced on the funding of long-term care, and 22 per cent of this group think it should be dependent on people's wealth and not set at the same level for everyone. On average, people thought the cap should be set at £14,000, much lower than the cap recommended in the Dilnot report.

The average wealth of those over age 55 is above the current limit for state funding of £23,250, meaning the cost of long-term care will need to be paid for out of their own pockets under the current rules. With the average cost per person of long-term care set to hit £33,000 per year by 2025, it won't be long before personal funds run dry. ■

OBTAINING THE RIGHT ADVICE IS ESSENTIAL. WE TAKE THE TIME TO UNDERSTAND YOUR UNIQUE NEEDS AND CIRCUMSTANCES SO WE CAN PROVIDE YOU WITH THE MOST SUITABLE PROTECTION SOLUTIONS IN THE MOST COST-EFFECTIVE WAY. FOR MORE INFORMATION, PLEASE CONTACT US.

The LV= Future of Long Term Care report was produced by the Desk research team at Opinium Research using 2011 predictions of volume and cost for long-term care by the Personal Social Services Research Unit (PSSRU), with additional material from the London School of Economics and the Organisation for Economic Cooperation and Development (OECD) as well as survey findings from Opinium's online omnibus from 16-18 April 2012 on behalf of LV= (total sample size was 2,015 UK adults aged over 18).

[1] The average cost for long-term care is currently estimated at £26,000 per year; however, the Future of Long Term Care report predicted this will increase by 2.3 per cent by the year 2015. Thereafter with a projection of a cost increase of more than 10 per cent per year, the price of a year's long-term care per person could rise to more than £33,000 by the year 2025. This does not include the effects of inflation, which would increase this figure further.

[2] 1,149,112 (expected to be in long-term care in the UK by 2025) x £33,000 (expected cost per year by 2025) = £37,920,696,000 (or vs 2012: 840,184 x £26,000 = £21, 844,780,704).

[3] Excluding Scotland.

[4] The rising costs predicted in this report do not include the effects of inflation which would increase the predicted figures for the cost of future care further. Instead all projections are based on 2010 constant prices as calculated by the PSSRU.

FLEXIBILITY IN RETIREMENT

Gain more control over when and how you can use your retirement savings

A practical consequence of living longer is that retirement lasts longer. Pensions have to stretch further. Pension legislation is always on the move but keeping up to date with the latest changes could open up new opportunities for you in retirement. In April 2011, some of the most significant changes in pension legislation for five years were announced. Some of these changes have created the very appealing prospect, for people aged 55 and over, of gaining much more control over when and how they can use their retirement savings.

LEAVE YOUR PENSION INVESTED FOR LONGER

As a consequence of calls for more flexibility, for example, the Government has done away with the 'age 75' rule that effectively obliged anyone with private pension savings to use them to buy an annuity at that age. This change means that you can now, if you wish, leave your pension invested for longer. And if you want to take an income from it at the same time (known as 'drawdown'), the ways in which you can do this have also been made more flexible.

MEETING CERTAIN ELIGIBILITY CRITERIA

For example, under the current rules, if you meet certain eligibility criteria, you can now take as much as you want from your pension without the maximum income restrictions that apply to conventional drawdown arrangements. To be eligible for this facility – known as 'flexible drawdown' – you have to show that you already have a minimum 'secure pension income' of £20,000.

While for many people, buying an annuity is likely to remain the most appropriate method of accessing their pension income, some will want to take advantage of these enhanced drawdown facilities.

OPTIMISE YOUR TAX LIABILITIES

Flexible drawdown could, for example, be used to meet one-off large expenditure items as they arise or to optimise your tax liabilities. It can be a way to pass money through the generations, either by 'gifting' regular payments, for example into trusts, or as pension contributions to children using 'normal expenditure' rules so as to help avoid inheritance tax.

In moving money out of your pension fund before you die, you will be paying income tax on such payments but at a rate that is lower than the 55 per cent tax charge payable on a lump sum payment from your pension fund when you die.

AGE-RESTRICTED BENEFIT REMOVED

Another age-restricted benefit where the rules have been eased is the opportunity to take tax-free cash – typically a quarter of your pension pot – when you first start to take your pension benefits. Until April 2011, if you hadn't taken your tax-free cash by age 75, you lost the chance to do so. Now that restriction is removed too.

Depending on your circumstances, all these changes may well sound like good news, but there's one important thing to be aware of. Just because the rules about when and how you take pension benefits have changed, it doesn't mean your pension contract will have changed as well.

REFLECTING THE NEW LEGISLATION

If the terms of your contract have not been updated to reflect the new legislation, you could find that you can't take advantage of them. You could still find yourself obliged to buy an annuity at age 75. And if you haven't taken your tax-free lump sum at that age, you could still lose the opportunity to do so.

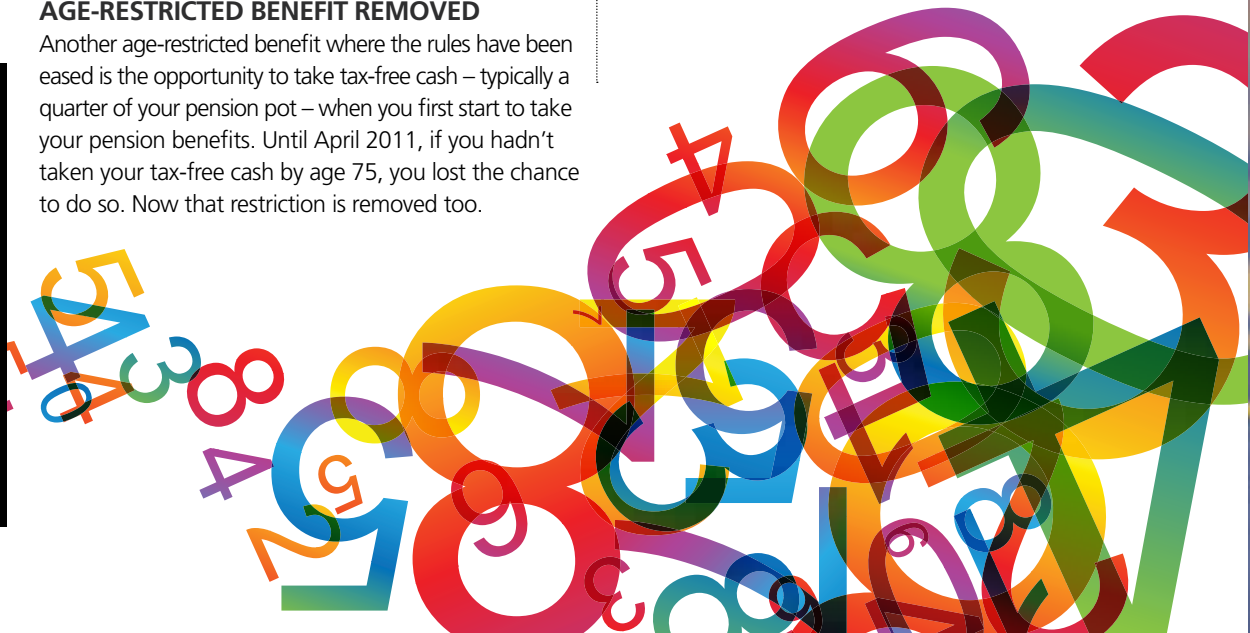
To make sure you can benefit from the current rules, you may need to transfer your pension savings to a provider who is offering these more flexible options. You could do this even if you are already taking drawdown income.

PLANNING CAN HELP SAVE YOU TAX

We can also review other important aspects of your pension arrangements and identify ways in which you can reduce your tax liability. As mentioned previously, if you have already taken tax-free cash from your fund but not yet taken any income from it, the tax that applies to the remainder of your pension if paid as a lump sum when you die – at any age – is now 55 per cent. It used to be limited to 35 per cent for pension holders dying before the age of 75, with up to 82 per cent applicable on death after this age. The April 2011 rules means that a standard rate now applies whatever the age at death. ■

Levels and bases of and reliefs from taxation are subject to legislative change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. Pension drawdown can leave your funds open to investment risk and is not suitable for everyone.

HOWEVER BLEAK THE CURRENT ECONOMIC CLIMATE MAY APPEAR, PENSIONS ARE FOR THE LONG TERM AND RELATIVELY SIMPLE ADJUSTMENTS MADE NOW COULD MAKE A HUGE DIFFERENCE TO THE OPTIONS AVAILABLE TO YOU IN THE FUTURE. TO DISCUSS YOUR REQUIREMENTS, PLEASE CONTACT US FOR FURTHER INFORMATION.



PENSIONS ROULETTE

> SINCE 2008, MORE THAN A QUARTER (27 PER CENT) OF PENSION HOLDERS HAVE STOPPED SAVING INTO THEIR FUND AND HAVE NOT RESTARTED PAYMENTS, WHILE 6 PER CENT TOOK A PENSIONS HOLIDAY AND THEN RECOMMENCED PAYMENTS.

Retirees tap into savings earmarked for retirement

More than a quarter (27 per cent) [1] of UK adults with a private pension have stopped making payments into their fund since 2008 because of tough economic conditions. One in five (21 per cent) of those aged 55 years or older have dipped into their retirement savings since 2008.

A RESULT OF THE ECONOMIC DOWNTURN

Increasing numbers of adults in the UK are either taking a 'pension holiday', drawing on savings earmarked for retirement or downsizing as a result of the economic downturn and the rising costs of living.

According to research from Schroders, we are witnessing a trend whereby people in employment are playing a dangerous game of 'pensions roulette' – risking their long-term financial security by drawing on assets set aside for retirement.

Since 2008, more than a quarter (27 per cent) of pension holders have stopped saving into their fund and have not restarted payments, while 6 per cent took a pensions holiday and then recommenced payments.

THE LEAST TIME AVAILABLE TO TOP UP PENSION POTS

Interestingly, the largest percentage who stopped paying into a pension were those closest to retirement, those aged 55 plus (32 per cent). This is a worrying trend, as these individuals have the least time available to top up their pension pots from employment income.

One in ten Britons would consider selling their home in order to release some cash and more than one in six (16 per cent) pension holders have dipped into their retirement savings to make ends meet since the recession commenced in 2008. However, this rises to more than one in five (21 per cent) for those aged 55 plus and not yet retired.

Of those disclosing how much they withdrew from their savings, the average amount taken out was £11,157, with 17 per cent taking between £5,000 and £9,999 from reserves.

GAMBLING WITH FINANCIAL SECURITY IN RETIREMENT

Millions of Britons are gambling with their financial security in retirement. Worryingly high numbers have stopped paying into their pension, or have drawn on savings earmarked for retirement to fund everyday living expenses. While this is completely understandable in such tough economic times, by doing this they are risking not having sufficient income to fund retirement. Everyone is being squeezed in terms of disposable income but it is essential that people start planning for their retirement at a younger age.

GENERATING AN INCOME TO COVER LIVING COSTS

People need to assess their projected expenditure in retirement and ensure they will have enough income to cover these costs. It is not merely a question of building a big pot of capital; it is about ensuring this is invested so it generates an income to cover living costs once a person has stopped working. ■

WE CAN HELP YOU MAXIMISE YOUR INCOME POTENTIAL AND DEVELOP AN INVESTMENT STRATEGY FOR RETIREMENT INCOME GENERATION – SO THAT IF YOUR SITUATION CHANGES, YOUR INCOME ARRANGEMENTS CHANGE TOO. PLEASE CONTACT US TO LOOK AT THE OPTIONS AVAILABLE TO YOU.

[1] On the 16-17 December 2011, Vision Critical conducted an online survey among 2,003 randomly selected British adults who are Springboard UK panellists. The margin of error, which measures sampling variability, is +/- 2.2 per cent. The results have been statistically weighted according to the most current education, age, gender and regional data to ensure samples representative of the entire adult population of the United Kingdom. Discrepancies in or between totals are due to rounding.

PARENTS ARE OFTEN LEFT FOOTING THE BILL FOR THEIR CHILDREN'S SPENDING

Committed to helping the next generation prepare for their working lives

New research published on 21st June by Magnified Learning shows parents feel incompetent advising children on finances.

The research reveals that children are turning to parents for financial advice;

- For 83 per cent of 14-16 year olds, parents are first port of call for financial advice

But parents do not feel competent offering advice on some of the most important financial products:

- 66 per cent of parents do not feel competent at advising their children about investments
- 62 per cent of parents do not feel competent at advising their children about life insurance
- 58 per cent of parents do not feel competent at advising their children about pensions
- 39 per cent of parents do not feel competent at advising their children about bank accounts
- A dangerous 'advice gap'

With other sources of financial advice being rolled back, a dangerous 'advice gap' is forming. This means that parents are often left footing the bill for their children's spending, with many middle aged people relying on their parents for financial help. The research shows:

- 40 per cent of 35-54 year olds have been given money by their parents in the last year – each receiving £1,030 on average.

Magnified Learning believes these results are particularly concerning given the Money Advice Service is under review and the Retail Distribution Review being implemented in January 2013.

Therefore parents are likely to feel even less competent when their children turn to them and with no place for financial education in the national curriculum, it is clear that there is an advice gap which needs to be filled.

CHILDREN NEED GOOD ADVICE

The research also shows that whilst parents do not feel confident in offering advice, children really need good advice, with one in five14-16 year olds having a 'buy now, pay later' mind-set.

With the 'buy now, pay later' mindset kicking in so early, it is important to offer free financial training to children so that they can draw on the help of professionals rather than just relying on their parents.

MONEY, MONEY, MONEY

A programme run by Magnified Learning called Money, Money, Money has been trying to turn children into better financial planners and 'savers' rather than 'spenders' with some great successes.

The programme involves employees from savings and investment businesses and financial planning providers. After a day's training:

- 84 per cent of children described themselves as "savers not spenders" (up from 55 per cent at the beginning)
- 71 per cent of learners felt very confident about the financial demands of life compared with 7 per cent at the beginning
- 62 per cent said that they now recognised that it is important to plan their personal finances.

There is a perfect storm coming - everyone agrees saving and prudent financial management are key life skills that young people need. Through Magnified Learning's Money, Money, Money programme, the programme uses the skills of people working in business to increase young people's confidence and awareness of financial demands and has shown some very encouraging signs.

Magnified Learning's Money, Money, Money programme is vitally important given the clear evidence of a growing advice gap - young people need to be provided financial education so they can make sensible financial decisions.

1. MAGNIFIED LEARNING

Magnified Learning specialises in designing and delivering experiential learning programmes for large businesses. They provide structured opportunities for targeted groups of employees to develop key skill sets by helping young people to explore a range of social issues directly affecting them. As well as contributing positively to the business's reputation, Magnified Learning enables its clients to better understand their future customers and colleagues through active learning relationships.

2. MONEY, MONEY, MONEY 2012

The new programme commenced in June running through to mid December 2012. It will involve approximately 300 employees working with up to 3,000 school students aged 14-15 in England, Wales and Scotland.

3. POLLING

To get a representative picture of the how competent parents feel giving financial advice and how much money parents are giving their children, Magnified Learning commissioned Opinium (2,000 UK adults aged 18+ in May 2012) and TNS (1,004 UK adults aged 18+ in April 2012) to carry out the surveys.

4. STATISTICS

The data also shows that those in lower socio-economic groups (CD2E parents) are much less likely to report feeling 'very competent' at giving financial advice on investments, pensions and bank accounts. ■

You've protected your most valuable assets.

But how financially secure are your dependents?

Timely decisions on how jointly owned assets are held, the mitigation of inheritance tax, the preparation of a will and the creation of trusts, can all help ensure your dependents are financially secure.

Contact us to discuss how to safeguard your dependents, wealth and assets, don't leave it until it's too late.

THE AVERAGE 50-YEAR-OLD 'NEEDS TO DOUBLE PENSION POT' BY RETIREMENT

Paying off a mortgage and helping children are bigger priorities than retirement saving

The average British 50-year-old has less than half of the retirement savings they will need to guarantee a minimum standard of income when they stop work, new research from MetLife [1] shows.

Its unique study of the finances of 50-year-olds shows they have an average of £54,300 saved in pension funds – but in order to meet pensioners' minimum annual income standards [2] of £14,400 including State Pension they need around £122,800 by the time they retire.

MAIN SOURCE OF INCOME IN RETIREMENT

That leaves a gap of £68,600 to fill – and the gap is wider for 50-year-old women who have an average £38,500 saved compared with £74,200 for men. The gap is just an average – around 41 per cent of 50-year-olds admit the State Pension will be their main source of income in retirement and 26 per cent say they have less than £20,000 saved.

Their saving for retirement is being squeezed by other priorities – the average 50-year-old with a mortgage outstanding is five times more likely to prioritise paying it off, while those with children are 20 per cent more likely to focus on their children's financial well-being.

HIGHLIGHTING THE FINANCIAL PRESSURES

MetLife is highlighting the financial pressures faced by the Uncertain Generation – those born between 1961 and 1981. Many could be in for a shock - despite the financial squeeze research shows the average 50-year-old is planning to retire at 61.5 while homeowners are hoping to pay off their mortgage at 58.5.

Around 868,000 people will turn 50 this year – 32,000 more than last year. Someone in the UK turns 50 every 40 seconds but they are far less financially secure than their predecessors. The Uncertain Generation has complex financial needs but are facing unprecedented pressures.

PENSION REQUIRED TO BE FINANCIALLY COMFORTABLE

They accept that they will have to retire later than anticipated, but are still uncertain about exactly how young they will be able to do so. Currently the average 50-year-old is a long way off the pension required to be financially comfortable after work. As a result, retiring before 60 is highly unlikely for most.■

[1] Research conducted by Harris Interactive amongst a nationally representative sample of UK adults aged 50 in October 2011.

[2] Defined by Joseph Rowntree Foundation's estimates for minimum required income, published 2010.

NB. All figures rounded to the nearest £100. Figures may not sum due to rounding errors.

TAX-EFFICIENT WEALTH CREATION

Opportunities to make more of your money

CASH

When holding money for a rainy day or building up a nest egg for your children, consider tax-free National Savings. Everyone can invest up to £30,000 in premium bonds, £15,000 in saving certificates (when available) and £3,000 in each issue of Children's Bonus Bonds for children under 16, with all returns being tax-free.

The current 2012/13 Individual Savings Account (ISA) limit is £11,280 and you can choose to invest up to £5,640 of this in the form of a Cash ISA.

You can only open one Cash ISA in every tax year but there are no limits on the number of Cash ISAs you can hold over time.

You pay no tax on any of the interest that you earn from the savings in your Cash ISA and can take your money out at any time without losing tax relief.

STOCKS AND SHARES ISAS

Up to £11,280 can be invested during this current 2012/13 tax year in a Stocks and Shares ISA where income and capital gains are tax-free. This allowance is 'per person', so between them, couples can invest a maximum of £22,560 tax efficiently.

As with any investment, the value of an investment ISA can go down as well as up. Different funds have different risk profiles and it's important to evaluate each fund in detail before investing. Stocks and Shares ISAs are generally recommended for those looking to invest for a minimum of 5 years.

There are a number of ways to invest your ISA allowance. These include investment trusts, unit trusts, individual shares, exchange traded funds and bonds. You can choose the combination of equities in which you invest your ISA.

JUNIOR ISA

Just like adults can put money into both a Cash and Stocks & Shares ISA, so can under 18s. The current limits are lower with a Junior ISA - £3,600 in total - however they're a great way to start building up a nest egg for your child if you don't already have a Child Trust Fund.

CAPITAL GAINS

In 2011/12 you can make capital gains of £10,600 before paying capital gains tax (CGT). In the past, capital gains tax was complicated to work out, with an indexation allowance for increases due to inflation, taper relief according to how long you owned an asset, and different tax rates depending on the total of your income and gains for the year.

However, for sales and gifts made from April 2008 onwards, CGT has been simplified. Indexation allowance and taper relief have been abolished and CGT is charged at 18 per cent if you are a basic rate taxpayer and 28 per cent if you are a higher rate taxpayer.

Remember though that CGT applies when you make a profit from all sorts of other assets (including for example second homes, and most belongings which appreciate in value) so plan carefully when you realise these gains to make the most of the annual allowances.

PENSIONS

Money invested into a pension receives tax relief. Put simply, that means your pension contributions (subject to limits set by the Government) are increased by the percentage amount of your income tax bracket. The way you get tax relief on pension contributions depends on whether you pay into an occupational, public service or personal pension scheme.

OCCUPATIONAL OR PUBLIC SERVICE PENSION SCHEMES

Usually your employer takes the pension contributions from your pay before deducting tax (but not National Insurance contributions). You only pay tax on what's left. So whether you pay tax at basic, higher or additional rate you get the full relief straightaway.

However, some employers use the same method of paying pension contributions that personal pension scheme payers use.

If you're a GP or dentist and contribute to a public service scheme you are taxed as self-employed for part of your earnings so should claim tax relief through your Self Assessment tax return.

PERSONAL PENSIONS

You pay income tax on your earnings before any pension contribution, but the pension provider claims tax back from the Government at the basic rate of 20 per cent. In practice, this means that for every £80 you pay into your pension, you end up with £100 in your pension pot. If you pay tax at higher rate, you can claim the difference through your tax return or by telephoning or writing to HMRC. If you're an additional rate taxpayer you'll have to claim the difference through your tax return.

RETIREMENT ANNUITIES

Unlike personal pension providers, most retirement annuity providers - personal pension schemes set up before July 1988 - don't offer a 'relief at source' scheme whereby they claim back tax at the basic rate. Instead you'll need to claim the tax relief you're due through your tax return, or if you don't complete a tax return by telephoning or writing to HMRC.

EFFECT OF PENSION CONTRIBUTIONS ON AGE-RELATED ALLOWANCES

If you receive an age-related Personal Allowance or Married Couple's Allowance HMRC will subtract the amount you contribute plus the basic rate tax from your total income and use the reduced figure to work out the value of your allowances. This may have the effect of increasing these allowances if your income was above the relevant 'income limit' that applies. There are limits on how much tax relief you can currently receive.

OTHER INVESTMENTS

People with high earnings and who are likely to be higher rate taxpayers in retirement, or who have restricted pension funding options and have used all of their other annual tax allowances, could consider other tax-efficient investments.

Higher- and additional-rate taxpayers could also use onshore investment bonds to enable tax to be deferred on income and gains until a time when they might be taxed in a lower rate.

Everyone's tax situation is different and the value of any tax relief will depend on your own individual circumstances.■

WE CAN WORK WITH YOU TO DEVELOP THE MOST APPROPRIATE PORTFOLIOS TO REFLECT YOUR WEALTH CREATION STRATEGY. PLEASE CONTACT US FOR FURTHER INFORMATION.

The price of units in investment-linked funds depends on the value of the underlying assets and can go down as well as up. You may not get back as much as you invest. Past performance is not a guide to future performance and should not be used to assess the risk associated with the investment.

Isn’t it time you had a financial review?

We’ll make sure you get the right advice for your individual needs.

We provide professional financial advice covering most areas of financial planning, including, tax-efficient savings, investment advice, retirement planning, estate & inheritance tax planning, life protection, critical illness cover and income protection.

To discuss your options, please contact us.

THE DAMAGING IMPACT OF INFLATION

Average household needs to spend an extra £966.78 a year to maintain standard of living

Despite the fall in the annual CPI inflation rate, MGM Advantage estimates that collectively UK households will need to find an extra £25.4 billion [1] to maintain the same standard of living enjoyed 12 months ago. The typical UK household will need to spend an extra £966.78 a year to maintain their standard of living from just one year ago.

WELCOME RESPITE

Falls in inflation will come as a welcome respite for many people who continue to feel the pinch. But each UK household will somehow still need to find an extra £966 a year to maintain their standard of living, or as many millions of UK families have seen, their standard of living falls dramatically.

Inflation is particularly damaging for pensioners. But there is good news in the latest data as the largest downward pressures came from reducing costs of fuel and food. These commodities are where retired households normally spend a disproportionate amount of their income so this will offer some welcome relief.

CORROSIVE EFFECTS

But given the backdrop of recent high inflation, people approaching retirement are continuing to look for ways of managing the corrosive effects of inflation. This has created strong demand for retirement income solutions that can provide some protection against the rising cost of living.

MGM Advantage research [2] shows that 38 per cent of retirees are concerned about inflation eroding spending power. Nearly a fifth (19 per cent) [3] of non-retired people were unaware of the negative impact of inflation, while over half (54 per cent) were not aware of any way of off-setting it. ■

[1] MGM Advantage analysis of ONS Family Spending Report 2011, ONS population statistics and the Consumer Price Index (June 2012).

[2] MGM Advantage research among financial advisers using SurveyMonkey. Fieldwork May and June 2012.

[3] Research conducted by Research Plus with 2086 UK adults aged 55 plus, published in December 2011.

REDUCING THE OVERALL LEVEL OF INVESTMENT RISK

Global markets has tested the nerves of even the most experienced investors

The recent volatility of global markets has tested the nerves of even the most experienced investors, making it a difficult time for individuals who rely on income from investments for some or all of their needs. To avoid concentrating risk, it is important not to 'put all your eggs in one basket' by investing in just one share or in one asset class. If appropriate to your particular situation spreading capital across different shares and different asset classes can reduce the overall level of risk.

CREATE A DIVERSIFIED PORTFOLIO

There are opportunities to create a diversified portfolio through investing with fund managers who have the experience, talent and robust investment process that can withstand the ever-changing economic and financial climate and deliver a return above inflation over the medium to long term.

Funds are typically seen as a way to build up a lump sum of money over time, perhaps for retirement, but they can also be used to provide you with a regular income.

TYPE OF INCOME FUNDS

There are four main types of income fund:

Money Market Funds – pay interest and aim to protect the value of your money.
Bond (Fixed Income) Funds – pay a higher rate of interest than cash deposits, but there is some risk that the value of your original investment will fall.
Equity Income Funds – the income comes from dividends paid to shareholders. In return for some risk to your capital, you may get a more regular income than you would from cash, and that income, as well as your capital, may increase over time.
Property Funds – pay income from rents, but the value of your investment can fall as well as rise.
There are also mixed asset funds, which invest your money in both bonds and equities.

GENERATING INCOME

INTEREST FROM CASH OR MONEY MARKET FUNDS

The income varies in line with the interest rate set by the Bank of England. The fund's investment manager will aim to get the best rate available, helped by that fact that, with large sums to deposit, funds can often get better rates than individual investors. The capital amount you originally invested is unlikely to go down (subject to the limits for each deposit under the Financial Services Compensation Scheme). If the interest rate is lower than the rate of inflation, however, the real spending value of your investment is likely to fall.

FIXED INTEREST FROM BONDS

Bonds are issued by governments (known as gilts in the UK) and companies (corporate bonds) to investors as a way to borrow money for a set period of time (perhaps 5 or 10 years). During that time, the borrower pays investors a fixed interest income (also known as a coupon) each year, and agrees to pay back the capital amount originally invested at an agreed future date (the redemption date). If you sell before that date, you will get the market price, which may be more or less than your original investment.

Many factors can affect the market price of bonds. The biggest fear is that the issuer/borrower will not be able to pay its lenders the interest and ultimately be unable to pay back the loan. Every bond is given a credit rating. This gives investors an indication of how likely the borrower is to pay the interest and to repay the loan. Typically, the lower the credit rating, the higher the income investors can expect to receive in return for the additional risk.

A more general concern is inflation, which will erode the real value of the interest paid by bonds. Falling inflation, often associated with falling bank interest rates, is therefore, typically good news for bond investors. Typically, bond prices rise if interest rates are expected to fall, and fall if interest rates go up.

If you invest in bonds via a fund, your income is likely to be steady, but it will not be fixed, as is the case in a single bond. This is because the mix of bonds held in the fund varies as bonds mature and new opportunities arise.

DIVIDENDS FROM SHARES AND EQUITY INCOME FUNDS

Many companies distribute part of their profits each year to their shareholders in the form of dividends. Companies usually seek to keep their dividend distributions at a similar level to the previous year, or increase them if profit levels are high enough to warrant it.

RENTAL INCOME FROM PROPERTY AND PROPERTY FUNDS

Some people invest in "buy-to-let" properties in order to seek rental income and potential increase in property values. Property funds typically invest in commercial properties for the same reasons, but there are risks attached. For example, the underlying properties might be difficult to let and rental yields could fall. This could affect both the income you get and the capital value.

BALANCE YOUR NEED FOR A REGULAR INCOME WITH THE RISKS

The income from a fund may be higher and more stable than the interest you get from cash deposited in a bank or building society savings account, but it can still go up and down. There may be some risk to the capital value of your investment, but if a regular income is important to you and you do not need to cash-in your investment for now, you may be prepared to take this risk.

INCOME FUNDS OF THE SAME TYPE ARE GROUPED IN SECTORS

The main sectors for income investors are: Money Market; Fixed Income (including UK Gilts, UK index-linked Gilts, Corporate Bond, Strategic Bond, Global Bond and High Yield); Equity Income; Mixed Asset (ie.UK Equity and Bond) and Property.

LOOK AT THE FUND YIELD

This figure allows you to assess how much income you may expect to get from a fund in one year. In the simplest form, it is the annual income as a percentage of the sum invested. Yields on bond funds can also be used to indicate the risks to your capital.

DECIDE HOW FREQUENTLY YOU WISH TO RECEIVE YOUR INCOME

All income funds must pay income at least annually, but some will pay income distributions twice a year, quarterly or monthly, so you can invest in a fund which has a distribution policy to suit your income needs.

SELECT INCOME UNITS/SHARES IF YOU NEED CASH REGULARLY

The income generated in a fund is paid out in cash to investors who own income units. If you choose the alternative - accumulation units/shares - your share of the income will automatically be reinvested back into the fund.■

THERE ARE MANY FACETS TO YOUR FINANCIAL PERSONALITY. THERE ARE MANY WAYS TO GENERATE INCOME. TO DISCUSS THE OPTIONS AVAILABLE TO YOU OR TO REVIEW YOUR CURRENT PROVISION, PLEASE CONTACT US.

The price of units in investment-linked funds depends on the value of the underlying assets and can go down as well as up. You may not get back as much as you invest. Past performance is not a guide to future performance and should not be used to assess the risk associated with the investment.

BREATHING NEW LIFE INTO BRITAIN'S AILING SAVINGS CULTURE

Workplace pensions revolution set to breathe new life into Britain's ailing savings culture says new Association Of British Insurers (ABI) report

The key role the workplace will play in closing Britain's chronic savings gap is highlighted the recent publication of the ABI's pension report 'Time to Act: Tackling our Savings Problem and Building our Future'. The report comes as ABI research shows that many people are increasingly resigned to working longer or downsizing to a smaller property to help ensure an adequate retirement income.

The report highlights:

1. The dramatic impact of saving a little bit more, a little earlier. Increasing an annual pension contribution from 8 to 12 per cent can increase a pension pot by 50 per cent, while delaying starting pension saving by five years can reduce a final pension pot by 17 per cent.
2. Over two thirds of people recognise that the level of their contributions has the biggest impact on the size of their pension.
3. More needs to be done to utilise the workplace to encourage greater saving. Building on the introduction later this year of auto-enrolment, whether the introduction of other options, like the 'save more tomorrow' scheme in the USA (under which employees commit to future increases in pension contributions) could work in the UK.

Steve Gay, the ABI's Director of Life, Savings and Pensions, said:

"Auto-enrolment should be a watershed moment in tackling Britain's savings gap. One in two people are not saving enough for their retirement, and many are not saving at all. Too many people are caught between a rock and a hard place: rising life expectancy makes the need to save for the future more important than ever; yet the tough economic times are understandably putting the squeeze on family budgets.

"Auto-enrolment will bring at least 7 million people into the savings habit. As we know that people are more likely to save through their payslip, we must look at how more can be done in the workplace to help people adequately save for their retirement".

The need to kick-start pension savings is further highlighted by the results of the ABI's latest consumer research [1]. This shows that among the 2,177 non-retired adults surveyed:

- One in four people would be prepared to work beyond their planned retirement date to help ensure sufficient retirement income
- One in five would be willing to downsize to a smaller property to release money to pay for their retirement
- Over half of people (53 per cent) are not confident that they will have sufficient income in retirement to maintain their standard of living in retirement
- Three in four of these non-confident respondents recognise that the state pension alone is not enough to ensure an adequate standard of living

[1] Fieldwork for the survey was conducted online by YouGov between the 21st and 28th May, 2012. The survey results are based on responses from 2,652 adults aged between 18 and 70, and weighted to obtain a GB representative sample; quoted proportions apply to 2,177 non-retired respondents.

Achieving a comfortable retirement.

Do you need a professional assessment of your situation to make this a reality?

If you are unsure whether your pension is performing in line with your expectations, and that you've made the right pension choices – don't leave it to chance.

Contact us to discuss these and other important questions, and we'll help guide you to a comfortable retirement.

PROTECTING YOUR **FAMILY'S LIFESTYLE**

Have you provided a financial safety net for your loved ones?

Bad news can impact on any one of us at any time, in the form of an illness, or sudden death. We don't like to think about it, but we do have to plan for it. So having the correct protection strategy in place will enable you to protect your family's lifestyle if your income suddenly changes due to premature death or illness. But choosing the right options can be difficult without obtaining professional advice to ensure you protect your family from financial hardship.

PROFESSIONAL ADVICE

Obtaining professional advice is essential to making an informed decision about the most suitable sum assured, premium, terms and payment provisions. We work with our clients to create tailored protection strategies that meet their financial goals and needs and we're committed to ensuring that our clients enjoy the best financial planning service available.

Whether you're looking to provide a financial safety net for your loved ones, moving house or a first time buyer looking to arrange your mortgage life insurance - or simply wanting to add some cover to what you've already got - you'll want to make sure you choose the right type of cover. That's why obtaining the right advice and knowing which products to choose – including the most suitable sum assured, premium, terms and payment provisions – is essential.

UNDER-INSURED

Life assurance helps your dependants to cope financially in the event of your premature death. When you take out life assurance, you set the amount you want the policy to pay out should you die – this is called the 'sum assured'. Even if you consider that currently you have sufficient life assurance, you'll probably need more later on if your circumstances change. If you don't update your policy as key events happen throughout your life, you may risk being seriously under-insured.

STAGES IN YOUR LIFE

As you reach different stages in your life, the need for protection will inevitably change. These are typical events when you should review your life assurance requirements:

- Buying your first home with a partner
- Having other debts and dependants
- Getting married or entering into a civil partnership
- Starting a family
- Becoming a stay-at-home parent
- Having more children
- Moving to a bigger property
- Salary increases
- Changing your job
- Reaching retirement
- Relying on someone else to support you
- Personal guarantee for business loans

LIFESTYLE FACTORS

Your life assurance premiums will vary according to a number of different factors, including the sum assured and the length of your policy (its 'term'), plus individual lifestyle factors such as your age, occupation, gender, state of health and whether or not you smoke.

If you have a spouse, partner or children, you should have sufficient protection to pay off your mortgage and any other liabilities. After that, you may need life assurance to replace at least some of your income. How much money a family needs will vary from household to household so, ultimately, it's up to you to decide how much money you would like to leave your family that would enable them to maintain their current standard of living.

TYPES OF LIFE ASSURANCE

There are two basic types of life assurance, 'term' and 'whole-of-life', but within those categories there are different variations.

The cheapest, simplest form of life assurance is term assurance. It is straightforward protection, there is no investment element and it pays out a lump sum if you die within a specified period. There are several types of term assurance.

The other type of protection available is a whole-of-life assurance policy designed to provide you with cover throughout your entire lifetime. The policy only pays out once the policyholder dies, providing the policyholder's dependants with a lump sum, usually tax-free. Depending on the individual policy, policyholders may have to continue contributing right up until they die, or they may be able to stop paying in once they reach a stated age, even though the cover continues until they die.

TAX MATTERS

Although the proceeds from a life assurance policy are tax-free, they could form part of your estate and become liable to Inheritance Tax (IHT). The simple way to avoid IHT on the proceeds is to place your policy into an appropriate trust, which enables any payout to be made directly to your dependants. Certain kinds of trust allow you to control what happens to your payout after death and this could speed up a payment. However, they cannot be used for life assurance policies that are assigned to (earmarked for) your mortgage lender.

Generally speaking, the amount of life assurance you may need should provide a lump sum that is sufficient to remove the burden of any debts and, ideally, leave enough over to invest in order to provide an income to support your dependants for the required period of time.

The first consideration is to clarify what you want the life assurance to protect. If you simply want to cover your mortgage, then an amount equal to the outstanding mortgage debt can achieve that.

FINANCIAL SUPPORT

However, if you want to prevent your family from being financially disadvantaged by your premature death and provide enough financial support to maintain their current lifestyle, there are a few more variables you should consider.

- What are your family expenses and how would they change if you died?
- How much would the family expenditure increase on requirements such as childcare if you were to die?
- How much would your family income drop if you were to die?
- How much cover do you receive from your employer or company pension scheme and for how long?
- What existing policies do you have already and how far do they go to meeting your needs?
- How long would your existing savings last?
- What state benefits are there that could provide extra support to meet your family's needs?
- How would the return of inflation to the economy affect the amount of your cover over time?

AS PART OF OUR SERVICE WE ALSO TAKE THE TIME TO UNDERSTAND OUR CLIENT'S UNIQUE NEEDS AND CIRCUMSTANCES, SO THAT WE CAN PROVIDE THEM WITH THE MOST SUITABLE PROTECTION SOLUTIONS IN THE MOST COST-EFFECTIVE WAY. IF YOU WOULD LIKE TO DISCUSS THE RANGE OF PROTECTION SERVICES WE OFFER, PLEASE CONTACT US FOR FURTHER INFORMATION.

TAKING MORE CONTROL OVER YOUR OWN PENSION FUND

Holding a wide range of investments can pay dividends

If you would like to have more control over your own pension fund and be able to make investment decisions yourself with the option of our professional help, a Self-Invested Personal Pension (SIPP) could be the retirement planning solution to discuss.

FREEDOM OF CHOICE

Essentially, a SIPP is a pension wrapper that is capable of holding a wide range of investments and providing you with the same tax advantages as other personal pension plans. However, they are more complex than conventional products and it is essential you seek expert professional advice.

SIPPs allow investors to choose their own investments or appoint an investment manager to look after the portfolio on their behalf. Individuals have to appoint a trustee to oversee the operation of the SIPP but, having done that, the individual can effectively run the pension fund on his or her own.

A fully fledged SIPP can accommodate a wide range of investments under its umbrella, including shares, bonds, cash, commercial property, hedge funds and private equity.

MORE CONTROL

You can choose from a number of different investments, unlike other traditional pension schemes, which may give you more control over where your money is invested. A SIPP offers a range of pension investments, including cash, equities (both UK and foreign), gilts, unit trusts, OEICS, hedge funds, investment trusts, real estate investment trusts, commercial property and land, traded endowment plans and options.

Once invested in your pension, the funds grow free of UK capital gains tax and income tax (tax deducted from dividends cannot be reclaimed).

TAX BENEFITS

There are significant tax benefits. The government contributes 20 per cent of every gross contribution you pay – meaning that a £1,000 investment in your SIPP costs you just £800. If you are a higher or additional rate taxpayer, the tax benefits could be even greater. In the above example, higher rate (40 per cent) taxpayers could claim back as much as a further £200 via their tax return. Additional rate (50 per cent) taxpayers could claim back as much as a further £300.

CARRY FORWARD

There is an annual maximum tax-relievable contribution level of £50,000 for 2012/13. You could contribute more, but would be taxed at your marginal rate. Commencing from the start of the 2011/12 tax year, it is now possible to carry forward any unused allowance from the previous three tax years (for this purpose the maximum allowance is £50,000 per tax year). We would strongly recommend that you obtain professional financial advice if you would like to utilise this option.

Pensionable income, including employment income, bonus, benefits in kind, self employment and partnership profits, can all potentially be contributed. Pensionable income does not include investment income, rental income or pension income however.

OTHER CONSIDERATIONS

You cannot draw on a SIPP pension before age 55 and you should be mindful of the fact that you'll need to spend time managing your investments. Where investment is made in commercial property, you may also have periods without rental income and, in some cases; the pension fund may need to sell on the property when the market is not at its strongest. Because there may be many transactions moving investments around, the administrative costs are often higher than those of a normal pension fund.

The tax benefits and governing rules of SIPPs may change in the future. The level of pension benefits payable cannot be guaranteed as they will depend on interest rates when you start taking your benefits. The value of your SIPP may be less than you expected if you stop or reduce contributions, or if you take your pension earlier than you had planned. ■

AS PART OF OUR SERVICE WE ALSO TAKE THE TIME TO UNDERSTAND OUR CLIENT'S UNIQUE RETIREMENT PLANNING NEEDS AND CIRCUMSTANCES, SO THAT WE CAN PROVIDE THEM WITH THE MOST SUITABLE SOLUTIONS IN THE MOST COST-EFFECTIVE WAY. IF YOU WOULD LIKE TO DISCUSS THE RANGE OF RETIREMENT SERVICES WE OFFER, PLEASE CONTACT US FOR FURTHER INFORMATION.

Levels and bases of and reliefs from taxation are subject to legislative change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. SIPPs can leave your funds open to investment risk and is not suitable for everyone.

70%
The percentage of retired people who are potentially missing out on a higher income in their retirement

> ACCORDING TO MGM ADVANTAGE, 40 PER CENT OF UK ADULTS AGED 55 AND OVER HAVE OR HAVE HAD HIGH BLOOD PRESSURE AND 33 PER CENT HAVE HAD HIGH CHOLESTEROL, BOTH OF WHICH ARE CONDITIONS THAT COULD QUALIFY THEM FOR A HIGHER PENSION INCOME.

COULD YOU BE ENTITLED TO A HIGHER LEVEL OF RETIREMENT INCOME?

If you have underlying health conditions you should talk to us

Nearly three quarters (72 per cent) of UK adults aged 55 and over are unaware that certain medical conditions could entitle them to a higher level of pension income through their annuity provider, according to research [1] from MGM Advantage.

The research also reveals that 70 per cent of retired people are potentially missing out on a higher income in their retirement because they are not taking advantage of the higher income offered by providers if they have underlying health conditions that would qualify them for an enhanced annuity. Qualifying conditions for an enhanced annuity include high blood pressure, high cholesterol, heart disease and diabetes.

A HIGHER LEVEL OF INCOME IN RETIREMENT

Furthermore, 71 per cent of employed people aged 55 plus are also unaware that certain medical conditions could entitle them to a higher level of income once they have retired. Nearly four in five (78 per cent) women aged 55 plus and nearly two thirds (65 per cent) of men aged 55 plus fail to understand that they could be eligible for higher income levels in retirement. These are people who are fast approaching retirement and should already be thinking about their retirement income options, especially when living costs and longevity are consistently rising.

UNDERLYING HEALTH CONDITIONS

It is an unfortunate fact of life that as we get older, we are more at risk of getting underlying health conditions. If appropriate, those buying an annuity should have a health check and be sure to inform their annuity provider of any health conditions to see if they qualify for an enhanced annuity. The difference between a standard and an enhanced annuity can be significant and could make a real difference, particularly when the cost of living is squeezing finances.

QUALIFYING FOR A HIGHER PENSION INCOME

According to MGM Advantage, 40 per cent of UK adults aged 55 and over have or have had high blood pressure and 33 per cent have had high cholesterol, both of which are conditions that could qualify them for a higher pension income.

However, one in seven (14 per cent) of over 55s still working said it had been more than five years since they last had a health check, with a further 11 per cent not able to remember when they last had a test.

GETTING THE BEST ANNUITY RATE POSSIBLE

To ensure you are getting the best annuity rate possible, you should also exercise the Open Market Option and shop around for the best annuity rate. MGM Advantage warns that people who do not mention any underlying health issue could risk losing out financially as enhanced annuities pay out on average 20.68 per cent more for men and 22.15 per cent more for women [2]. ■

FIND OUT MORE ABOUT WHICH ANNUITY TYPES AND OPTIONS ARE AVAILABLE TO YOU AND WHAT YOU SHOULD CONSIDER PRIOR TO PURCHASING ONE. FOR MORE INFORMATION, PLEASE CONTACT US TO DISCUSS YOUR PARTICULAR SITUATION.

[1] The research was conducted online by Research Plus between 7-17 October 2011 with 2,086 UK adults aged 55 years and over, of which 1,261 were retired and 825 non retired.

[2] According to stats from the MGM Advantage Annuity Index September 2011.

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