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ESSENTIALLY WEALTH

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FIVE TOPICS YOU SHOULD THINK ABOUT IN 2019

As we embark on a new year, although it's likely to be overshadowed by uncertainty surrounding Brexit, it's important to keep your personal financial goals in mind and ensure you continue to plan for the future.

Revisit your investment goals

It makes sense to take stock of your investment goals. Over time your priorities can change and your appetite for risk may alter too. Arranging a review will help ensure that your portfolio remains well diversified and provides a good opportunity to see if any of your holdings need rebalancing.

Plan for the future

If you made your Will a while ago, does it still reflect your wishes? You might want to review its contents to ensure that everyone you want to benefit is included.

If you have concerns about what might happen if you can no longer manage your finances, you should consider putting a Lasting Power of Attorney (LPA) in place whilst you have the mental capacity to do so. Many people wrongly believe that their family could simply step in and take charge. However, they wouldn't have the legal authority to do so, and would need to apply to the Court of Protection. An LPA gives you the opportunity to appoint in advance someone whom you trust to manage your financial affairs and / or your health and welfare on your behalf.

Think about your IHT position

Each year, more families find themselves drawn into the Inheritance Tax net. There are a number of ways that you can legitimately dispose of your estate to reduce the tax payable. Taking professional advice will help you assess your liability and put appropriate plans in place.

Don't fall for scams

The sad fact is that scams are becoming more sophisticated every day. Many involve bogus or unauthorised investments or promise to liberate your pension savings before age 55 and are backed up by glossy brochures and authentic-looking websites. As has often been said, if it looks too good to be true, then it probably is. Many scams start with a telephone call, so be very careful and don't give out financial or personal information to people you don't know.

Get good advice

Before making any major financial decisions, it pays to talk to us; we are experienced and qualified to provide you with a range of solutions tailored to your individual circumstances.

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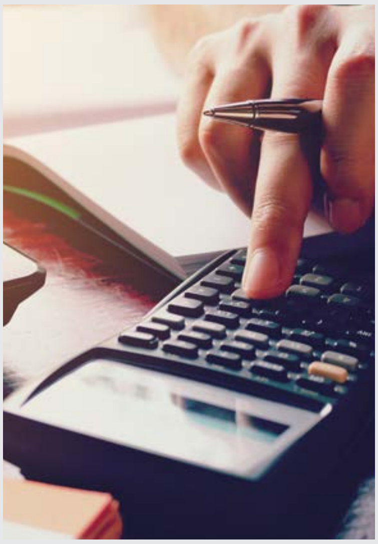


PENSION TAX RELIEF UNCHANGED IN BUDGET

In his 2018 Budget, the Chancellor chose to leave pension tax relief unchanged. Other than the raising of the Lifetime Allowance in line with the Consumer Prices Index to £1,055,000 for the 2019-20 tax year, the rules surrounding pensions remained the same.

Tax relief
Pensions offer generous tax breaks as an incentive to encourage us to save for our later years. If you contribute to a pension, or if your employer deducts your pension payments from your salary, you automatically get 20% tax relief as an additional deposit into your pension pot. If you are a higher-rate taxpayer, you can claim an extra 20%, while those paying additional-rate tax can claim back an extra 25%. At age 55, you can generally take 25% of your savings as a tax-free lump sum. There are a variety of ways of doing this, including taking the tax-free cash only, taking part of the tax-free cash, taking a lump sum including the tax-free element and taking the whole pension fund including the tax-free cash.

Ban on pensions cold-calling
The Chancellor announced that the long-awaited ban on pensions cold-calling will at last be implemented; be alert, however, to an ongoing risk of illegal cold calls. Cold-calling is a common tactic used by scammers to try and access pension pots and has resulted in people losing substantial amounts to fraud.

HOW BEING ABSENT-MINDED IS COSTING YOU MONEY

We can all be forgetful on occasions, we're only human after all. However, when it comes to our finances, losing track of what we have can be a costly mistake to make. It's been estimated that a staggering figure of £15bn is tied up in old bank accounts, pensions, life assurance and investments[1].

Bank Accounts
Tracing old bank accounts can be done by searching a website called My Lost Account. This site is maintained by UK Finance, the Building Societies Association and National Savings & Investments (which covers Premium Bonds too).

Pensions
People change jobs more frequently nowadays, meaning that they can often have small pension pots with past employers that they fail to keep track of. Incredibly, there are around 1.6m[2] pensions that have been forgotten about by UK workers. If you've lost track of a pension from a previous employment, then the Pension Tracing Service will help you find an up-to-date contact for the scheme.

Child Trust Funds
These were available for babies born between September 2002 and January 2011. Parents received a government voucher for £250 to invest (up to £500 for lower income families) and could add further funds within limits. Figures from HMRC estimate that around 700,000 Child Trust Fund accounts are dormant. HMRC has a dedicated page for those looking to track down these accounts.

Other assets
For help in tracking down lost investments in unit trusts, the Investment Association can provide help. Experian run an Unclaimed Assets Register which allows you to search the 4.5m records it holds from 75 different providers covering insurance policies, pensions or shareholdings.

[1]MSE, Nov 2018
[2]Research carried out by Pensions Policy Institute on behalf of ABI, Oct 2018

PEOPLE CHANGE JOBS MORE FREQUENTLY NOWADAYS, MEANING THAT THEY CAN OFTEN HAVE SMALL PENSION POTS WITH PAST EMPLOYERS THAT THEY FAIL TO KEEP TRACK OF

DON'T FORGET TO USE YOUR TAX ALLOWANCES

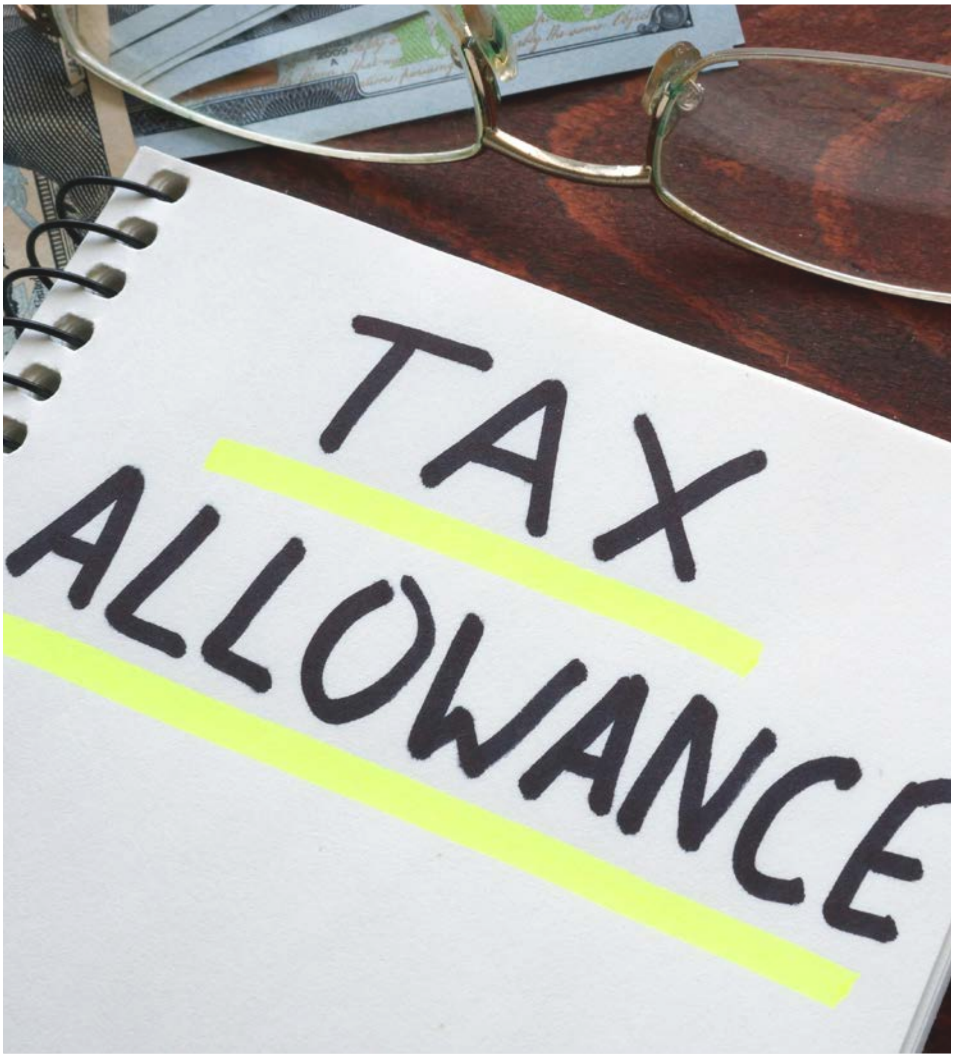
Using up any allowances you are entitled to is the first step to reducing the amount of tax you are liable to pay. With the tax year-end approaching now is the time to act – don't risk losing out.

Savings
You can save up to **£20,000** tax-free in an ISA this tax year. If you're saving for a child, the tax-free allowance for 2018-19 is **£4,260** (increasing to £4,368 in the 2019-20 tax year).

Pensions
Most people will be able to pay up to **£40,000** into their pension this tax year. Pension contributions within that Annual Allowance normally receive Income Tax relief; this means that it only costs basic rate tax payers £80 to save £100 (20% tax relief) while higher rate tax payers only need to pay in £60 to save £100 (40% tax relief). The Lifetime Allowance was increased by £30,000 for the 2018-19 tax year and now stands at £1,030,000 (rising to **£1,055,000** for 2019-20).

Gifts
Don't forget that for Inheritance Tax purposes there's a tax-exempt allowance of **£3,000** per donor per tax year for gifts.

Capital Gains
For individuals, the annual Capital Gains Tax (CGT) allowance is **£11,700**; taking regular gains can make sense as a part of a tax reduction strategy. The CGT allowance increases to £12,000 for 2019-20.



WILL 2019 BE A YEAR OF MARKET VOLATILITY?

Stock markets around the world suffered a major period of volatility in the closing months of 2018.

Markets don't respond well to periods of uncertainty and there was plenty of that around on a global scale. Slowing economic growth in China, Brexit in the UK, the likelihood that quantitative easing in the Eurozone will cease and the future direction of the US economy were all called into question. Many of these issues will continue to dominate in 2019.

Keep focused on your long-term goals
It's important to realise that some market volatility is inevitable; markets are always likely to move up and down and accepting a degree of risk is part and parcel of investing. While the process of building a portfolio includes strategies to reduce risk, it cannot be eliminated altogether. What you have to decide as an investor is how much risk is right for you. Over time your risk profile is likely to change, so if it's been a while since your portfolio was last reviewed, then do get in touch.

HOME INSURANCE
A CLOSER LOOK AT ADD-ONS

Home insurance acts like a financial shock-absorber and protects thousands of families each year from unexpected and unwelcome loss, damage and expense.

Whilst standard policies can cover buildings and all the things kept in a home such as TVs, furniture, carpets and personal belongings, your adviser can also help you choose additional cover for specific risks and tailor the policy to meet your needs.

Remember, while price is important, it can be a false economy if you don't get the right level of cover you need. Your adviser can help...

Accidental damage
As the name suggests, this provides cover for unintentional one-off accidents that harm your possessions. So, if paint gets spilt on your carpet, or you drop your laptop and smash it, then you'd be able to make a claim.

Personal possessions away from home
This cover protects portable items such as cameras, laptops or jewellery away from home, up to a specified limit. It can provide useful protection if, for example, your children take their phones or iPads to school, or you lose your watch on the way to work.

Home emergency cover
This covers misfortunes like burst pipes, boiler breakdown, blocked drains or electrical failure. It can provide access to a 24-hour helpline, and also pay towards the cost of accommodation if it's not safe for you to stay in your home after an emergency.

Legal expenses
This type of insurance typically covers legal proceedings relating to your home, employment, death or personal injury, as well as any award of the other party's legal costs.

Jewellery, antiques and musical instruments
Many people wrongly assume that these will all be automatically covered on a standard home contents policy. Some insurers restrict the cover for high-value items, so it pays to ask us to help you put the right cover in place.

ARE YOU DUE A RETIREMENT REALITY CHECK?

Recent research[3] shows that some people could be sleepwalking their way towards a financially-bleak retirement. A survey conducted by Aegon[4] found that less than a fifth of adults aged 55-64 have more than £300,000 in their pensions – the approximate amount widely considered to be necessary for someone on an average salary to maintain their current lifestyle.

In addition, a survey by Prudential[5] shows that the average target retirement date for UK workers is before their 62nd birthday. However, more than one in 10 workers have yet to start a pension and won't do so, on average, until they are 46 years old. Worryingly, amongst those not yet saving, one in 10 are in the 51 to 65 age-bracket.

Looking at the figures

In order to put an effective retirement plan in place, it helps to have some idea about the amount of money you'll need to fund the lifestyle you want to enjoy in your later years. Drawing up a budget that covers what you anticipate your likely spend will be and setting that against the income you can expect to receive from your pension(s), savings and investments is a good place to begin.

You should think not just about the income you're likely to need during the first few years of your retirement, but also plan for a time when you might need to pay for help around the house and for the likelihood of needing medical and nursing care in your later years.

The steps we all need to take

It seems that many people put off finding out how much they have saved and what that will equate to as an income in retirement because they fear the worst. However, there are some simple practical steps that can really help:

- Make pension saving a priority. Consider topping up your contributions whenever your financial circumstances allow. Remember, within limits, they attract valuable tax relief.
- Know your state pension age and get a forecast of how much you'll receive.

However, carrying out a reality check and scheduling a review is the best way to overcome worries.

The pensions dashboard

At the end of last year, the government announced its plans to give millions of people online access to their pension facts and figures, giving them information about their pension savings, including their state pension. The roll-out is due to start sometime in 2019.

[3]Aviva, Sep 2018
[4]Aegon, June 2018
[5]Prudential, 2016

HALF OF DRAWDOWN SAVERS COULD RUN OUT OF MONEY WITHOUT ADVICE

A recent report[6] has highlighted the problems that pension savers could face in investing their pension pots without taking advice.

Income drawdown is where you leave your pension pot invested and take an income directly from it, instead of using the money in your pot to buy an annuity from an insurance company. As the rest of your pension pot remains invested, it will continue to benefit from any investment growth.

Since pension regulations were updated in April 2015, more and more retirees have opted to take flexible withdrawals from their pension funds, and the Financial Conduct Authority has reported that drawdown has become the most popular retirement choice.

The importance of good advice

Whilst drawdown offers flexibility, there are risks that you need to be aware of. Unlike an annuity the amount you can take as income isn't guaranteed. Your pension fund remains invested, which means that you are exposed to share price movements as markets rise and fall. This makes it even more important to take good professional advice. Without it, you could find your income level falls, and you could even risk running out of money at some point.

In drawdown, there are risks involved both in taking out too little or too much. If you draw too little you might not have sufficient to cover your living costs, taking out too much could restrict your pension pot's ability to provide an income throughout your retirement. This is where we can provide valuable input, helping you formulate your drawdown strategy and ensuring that it's kept under regular review.

[6]Royal London, Nov 2018

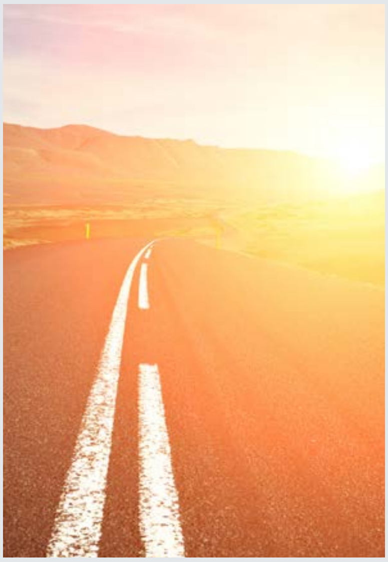
THE 'B WORD' AND YOUR FINANCES

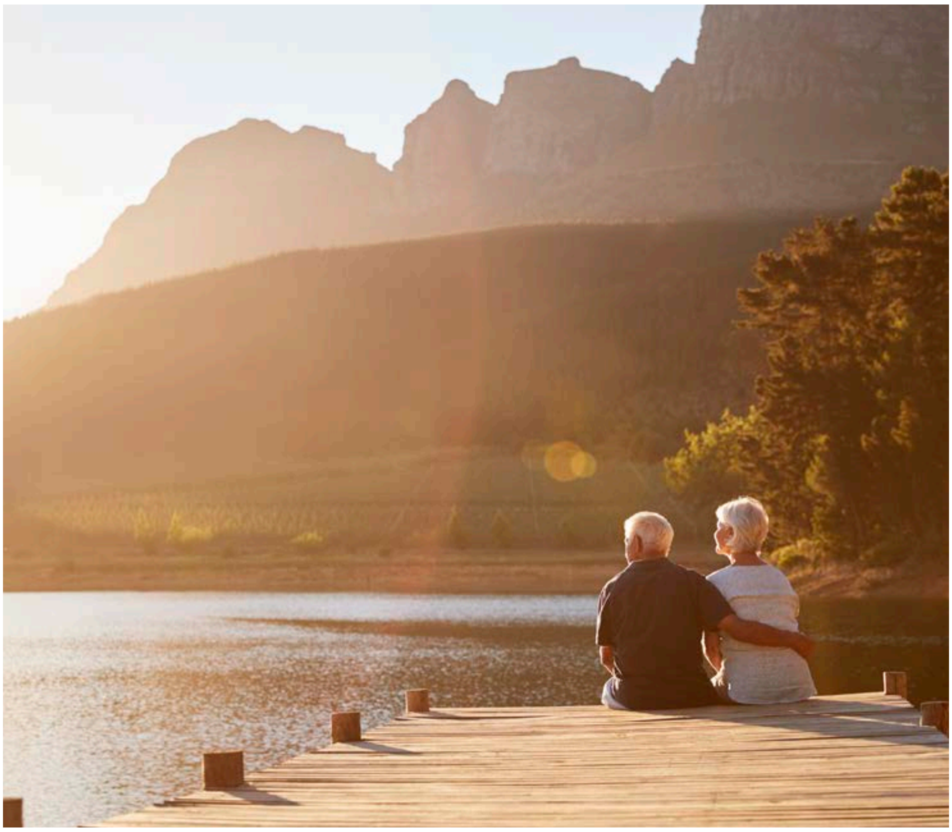
It's hard for anyone to predict right now what will happen next in the long saga of Brexit negotiations. Many experts believe we can expect continued volatility in financial markets for some time to come, especially whilst political uncertainty remains unresolved. Whether the next few months will see a no-deal exit, another referendum or a general election, remains unclear as we go to press.

Unsurprisingly, many people are questioning what all this means for their money and what if anything they should do right now. If you are considering remortgaging, speak to your adviser, their expert advice can help you make sure you're not paying more than you need to.

Saving money and having an emergency fund that equates to three to six months' worth of expenses is sound advice, whatever the state of the economy and markets.

The advice for investors is to avoid kneejerk reactions and to stay focused on the longer-term prospects of their portfolio. Keeping investments diversified is always a smart strategy; no-one wants to have all their eggs in one basket right now, or indeed, ever.





LIFE EVENTS:
WHAT WILL INFLUENCE YOUR INCOME NEEDS IN RETIREMENT?

There's a lot to think about when you're planning your income needs in retirement, and a variety of factors that can influence the amount of income you might need.

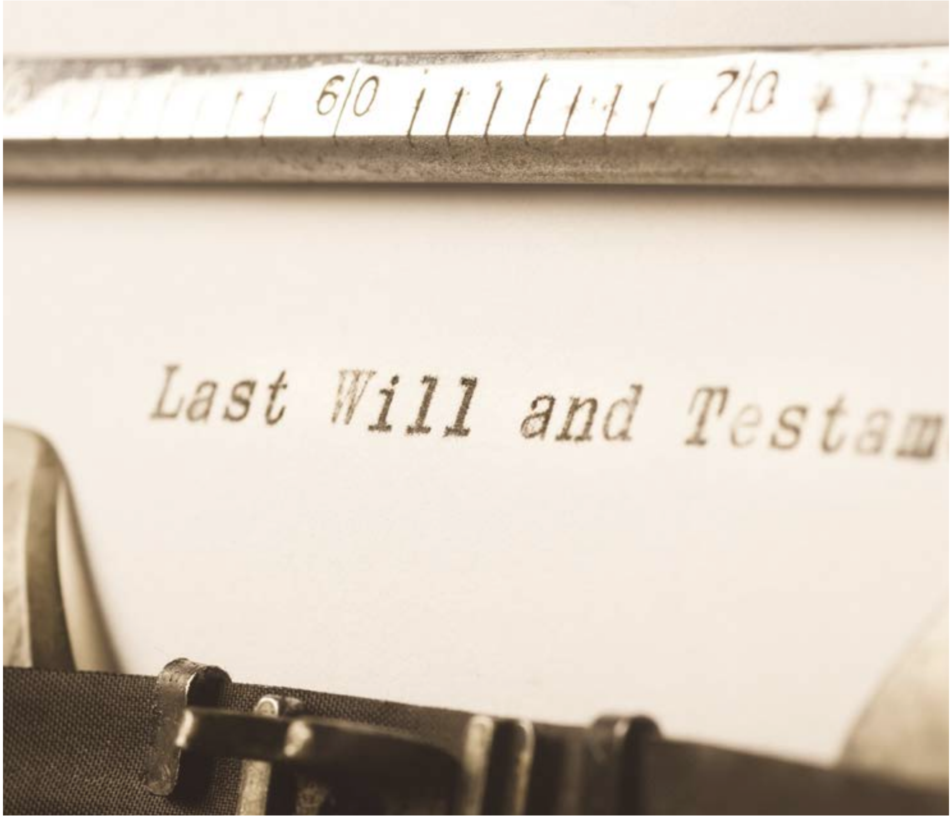
Working for longer
The concept of retirement is now more fluid, with workers choosing to continue into their late 60s and even 70s. Increasingly, people are deciding to delay their retirement plans, change jobs or work part-time, and it's widely expected to become the new norm.

Enjoying life while you can
There's a general expectation that retirement is one long holiday, but this isn't universally true. Whilst it's true that those who opt for early retirement are likely to take more holidays and will therefore need to ensure they have sufficient income to cover this expenditure, the average amount of time spent at home increases markedly in later retirement.

Paying for care
The good news is that we're all living longer, but it will come as no surprise that as the population ages, an increasing number of us will require care or support in our old age to make our lives easier and more comfortable. This means you will need to think about making some financial provision for care costs.

Passing on capital
Retirees are increasingly choosing to pass money on to their families during their lifetime, rather than on their death. Concerns have been raised that this might be at the expense of their own financial security. If you plan to pass on capital, professional advice will help you assess the impact this may have on your income in retirement.

If you're making plans for your retirement and would like some professional advice, then please get in touch.



WHEN WAS THE LAST TIME YOU REVIEWED YOUR WILL?

Having taken the important and responsible step of making a Will, many people simply put it in a safe place and forget about it. However, there are times throughout your life when it makes sense to review and revise its contents.

Family changes
Over the years, family dynamics can change. You should review your Will if you get married, as marriage revokes a Will in England and Wales (but not Scotland). Whilst getting divorced doesn't revoke a Will, in England and Wales an ex-husband or wife or civil partner would no longer benefit from it, so you may want to reconsider who gets what.

Whilst separation, judicial separation and separation orders don't have an effect on your Will, you may no longer want your spouse to inherit or be your executor.

Similarly, if you've named someone in your Will as a beneficiary or executor and they die, or you have had more children or grandchildren, then you may want to change the terms of your Will. You can also specify who should be the legal guardian of your children, so you might want to add or review these details at some point.

Asset changes
If you've acquired assets or disposed of them since you wrote your Will, then you may need to update the provisions you've made.

These days, it's also important to consider your digital assets such as photos, emails, music downloads and the content stored in social media accounts. With more people regularly using services like online banking, PayPal, Facebook, Twitter, Amazon and YouTube, decisions need to be made as to what should happen to these too.

WHO IS HIT HARDEST BY INHERITANCE TAX?

The Office of Tax Simplification has been tasked by the Chancellor to make Inheritance Tax (IHT) simpler and more streamlined, and to review the rules on gifting, pensions and property. Recommendations are due to be announced shortly.

In a recent consultation, more than 3,500 people were asked their views on IHT, and their verdict was that it was uniquely unpopular and complex in its operation. IHT raised £5.2bn in 2017. This figure is expected to be £6.9bn by 2023-24.

Who pays the tax?
Although IHT, where due, is currently charged at 40%, allowances, spouse and civil partner exemptions and available reliefs mean that the actual rate payable is less. Figures show that estates with a net value of less than £1m paid inheritance tax at 5%, whilst estates worth between £3m and £7m paid 20%. Estates valued at £10m or more paid tax at 10%, an indication that those with large estates are more likely to seek professional advice about making lifetime gifts and setting up trusts to lessen the impact of the tax.

If you're making plans for your retirement and would like some professional advice, then please get in touch.

It is important to take professional advice before making any decision relating to your personal finances. Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK.