LIFE

Winter 2020

Independent Financial Planning for your future

A long life needs a smart retirement plan

Tax-wise

The importance of independence

Every journey starts with a destination

Attivo Financial

Welcome

Welcome to the first issue of Life Magazine!

As part of our financial planning service, we are delighted to bring you our very own client magazine which aims to provide you with information specifically tailored to support the advice you receive from your Financial Planner.

It makes sense to seek professional advice when it comes to something as important as your finances, but why should that advice be independent? Turn to page 04 where our Chief Executive, Stephen Harper explains the value of genuinely independent financial advice and how it compares to the restricted advice proposition offered by many financial advice firms and banks.

Financial planning is a long-term approach to managing your finances and should take into consideration your changing priorities over the years. I look at creating a robust and practical financial plan to take control of your financial future, providing you with security and peace of mind, on page 08.

Are you on track with your retirement plan? Another key focus of this issue is the importance of prioritising your retirement planning so that you can retire comfortably when the time comes. See page 10 for guidance from Chartered Financial Planner, Susan Tague on the retirement planning process and the steps to take to achieve your retirement income goals.

Now we are into the new year, it is the ideal time to be thinking about your finances and especially your tax affairs. On page 14, Chartered Financial Planner, Dan Bowen considers how to make the most of your allowances, reliefs, and exemptions to keep your finances tax-efficient.

We hope you will find the articles informative and enjoyable to read. Please let us know if there is a particular topic or area you would like us to cover in future issues, or if you have any feedback for us. If you have any questions about any of the articles or would like to speak to us about your financial planning needs, please get in touch. You can also access Life Magazine online by visiting our website.

Stuart Harding
FPFS FCSI MSc
Financial Planning Director

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'Sleepwalking' into retirement

How much will you need to save to afford a comfortable retirement?

There is a widespread and common-sense-based perception, backed to some extent by evidence, that planning and preparing for later life is associated with increased well-being in older age. Despite this, it's concerning that some people at mid-life have not thought much about their later life nor taken fundamental future-oriented actions, such as engaging in financial planning or writing a Will.

New research[1] highlights the fact that millions of mid-life UK employees are sleepwalking into retirement. The study, which looked into mid-life[2] employees' financial preparedness for later life, revealed that 64% of employees aged 45 and over – equivalent to nearly nine million people – do not know how much they will need to save to afford a comfortable retirement.

Eligible for the State Pension

In addition, over five million mid-life employees (37%) do not know how much is already saved in their pension. Question marks also hang over the State Pension, with two in five (43%) respondents unaware of how much support they will receive from the Government. A further 26% do not know at what age they'll be eligible for the State Pension.

If you're entitled to the full new single-tier State Pension currently valued at £168.80 per week, this adds up to a retirement income of £8,777.60 per year[3]. Most employees (62%) aged 45 and over also do not know what the pension freedoms mean for them, while 37% do not know what type of pension scheme they have – for example, whether it's a defined contribution or defined benefit scheme.

Never too late to save

The analysis highlights that it is never too late to save. But without a clear picture of what they currently have saved or might need to save for a comfortable retirement, the findings show that many UK employees are approaching retirement with their eyes closed – with no realistic idea of how near or far they are from their retirement destination.

As a first step, mid-life employees who are mystified by their pension savings should try to get a clear picture of what they have saved so far and how much of an income this can provide them with over the course of retirement. ■

Source data:

[1] Research of 1,036 UK employers and 2,020 employees aged 45+, conducted on behalf of Aviva by Censuswide, January 2019. All figures are based on this research unless otherwise stated. 8.9 million figure scaled up according to the latest ONS Labour Market Stats – calculated as 64% of UK employee population aged 45+

[2] Employees aged 45+ are defined as 'mid-life employees' throughout the release

[3] UK State Pension Allowance – weekly allowance of £168.80. £168.80 multiplied by 52 = £8,777.60

A pension is a long-term investment and is not normally accessible until age 55. your pension income could also be affected by interest rates at the time you take your benefits. the tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation, which are subject to change in the future.

The value of investments and income from them may go down. you may not get back the original amount invested.

Past performance is not a reliable indicator of future performance.

Any levels and bases of, and reliefs from, taxation are subject to change.

Stephen Harper
Chief Executive

The importance of independence

Why advice should be independent

Chief Executive, Stephen Harper explains the value of independent financial planning advice and how it compares to the restricted advice proposition offered by many financial advice firms.

It makes sense to seek professional advice when it comes to something as important as your finances, particularly as your Financial Planner will make personal recommendations tailored specifically for your individual circumstances and financial objectives. But why should advice be independent?

Types of advice

There are two different types of investment advice: independent and restricted, and it is important to understand the differences. Independent Financial Planners can offer the full range of financial products and providers available in the market, whilst restricted advisers can only provide restricted advice by focusing on a limited selection of products and providers.

Major regulatory changes since 2012 have meant a higher benchmark for independent advice which has made it increasingly difficult for financial advice firms to remain independent. As a result, many financial planning firms in the UK have opted to provide a restricted advice proposition instead, so they can only recommend certain products or providers to their clients. The number of firms only offering restricted advice is likely to increase as the regulatory burden on firms continues to mount.

Restricted advice

Restricted advice means that either the types of products or providers that a financial adviser is able to recommend are restricted. Restricted advice firms typically recommend their own solutions or the solutions of a small panel. As such, a restricted adviser may only work with one provider (or a limited selection) so will only be able to offer their products when making a recommendation as part of your financial plan, or they may only focus on a particular market such as pensions.

Independent advice

Conversely, an independent financial planning firm gives clients access to unbiased advice and products based on a comprehensive and fair analysis of the whole market. Genuinely independent advice is free from any restrictions that could affect a Financial Planner's ability to recommend what is best for you and is much more than just recommending a product to solve an immediate need.

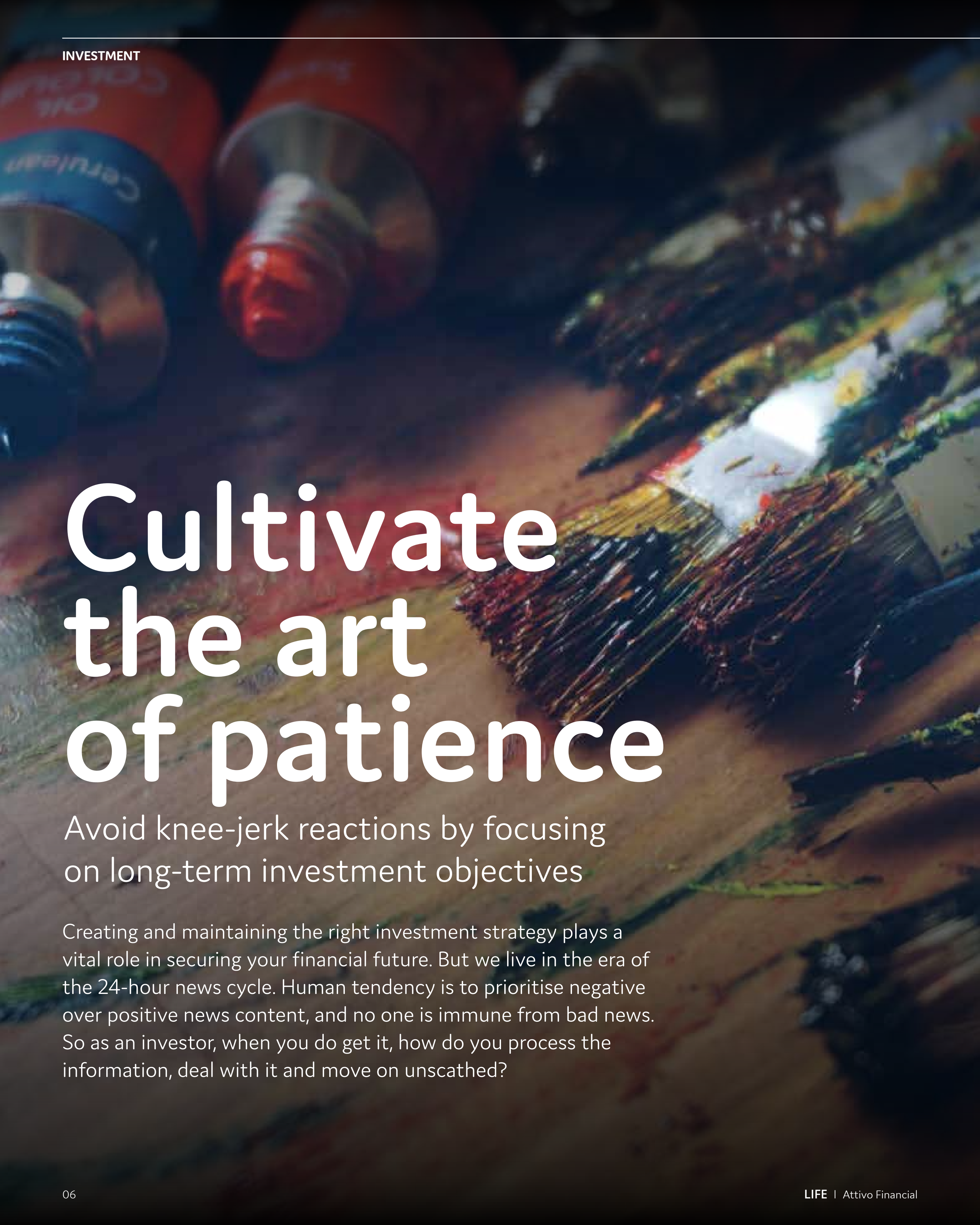
An independent Financial Planner will consider all retail investment products when making recommendations as part of your financial plan. They will research the whole of the market and work with you to ensure you receive the most appropriate advice for your circumstances to help you achieve your short, medium and long-term financial goals.

This means working to understand your current situation and aspirations, including your attitude and capacity to take risk, so that your financial plan can be designed and implemented by sourcing the right solution from the whole of the market.

The best advice

All financial advisers must be approved or authorised by the industry regulator, the Financial Conduct Authority (FCA), so should have a wealth of knowledge and experience, and must pass the same qualifications to be able to give advice. However, advisers need to be independent to be able to offer solutions that take into consideration all types of retail investment products to best meet your financial planning needs.

The growing complexities of pensions, investments and taxation mean that seeking professional advice is all the more necessary when planning your financial affairs. Whether you are thinking about retirement, need help with tax or estate planning, or looking for pension guidance, professional financial advice is a valuable investment, and that advice should always be independent. ■



Cultivate the art of patience

Avoid knee-jerk reactions by focusing on long-term investment objectives

Creating and maintaining the right investment strategy plays a vital role in securing your financial future. But we live in the era of the 24-hour news cycle. Human tendency is to prioritise negative over positive news content, and no one is immune from bad news. So as an investor, when you do get it, how do you process the information, deal with it and move on unscathed?

The goal of any investor should be to focus on long-term investment objectives and avoid any knee-jerk reactions. Volatility can understandably give any investor the jitters. The investment world can be unpredictable, and investors currently have plenty of bad news to process with a plethora of events making the daily and even hourly news headlines – from the US-China trade conflict and oil price volatility, to Britain's exit from the European Union.

Market downturns can also unnerve even the most seasoned of investors. But if you want to give your investments the best chance of earning a return, then it's important to cultivate the art of patience. Whatever happens in the markets, in all probability your reasons for investing won't have changed.

Stay positive and focus on your investment goals

Tune out the noise

The deluge of information we receive every day on our mobiles, TVs and computers might have something to do with increasing levels of uncertainty, but remember 'bad news sells'. We are inundated with new information all the time. There is no break from it. And that can be exhausting.

This information overload, news alerts, tweets and posts can lead to poor, knee-jerk reactions. We're hardwired to want this amount of information but not hardwired to deal with it. But if you do find yourself in a situation where you require insightful information that you can trust, then speak to us and we'll give you an unbiased assessment of the situation.

Look to the longer term

The length of time you stay invested in the market is generally more important than market timing. One of the advantages associated with long-term investing is the potential for compounding. When your investments produce earnings, those earnings are reinvested and can earn even more. The more time your money stays invested, the greater the opportunity for compounding and growth.

Keep in mind that compounding, overall, can have a significant long-term impact, even if there are periods where your money won't grow. While there are no guarantees, the value of compounded investment earnings can turn out to be far greater over many years than your contributions alone. As Warren Buffett, the American business magnate, investor and philanthropist, put it so eloquently; 'The stock market is designed to transfer money from the active to the patient.'

Diversify your portfolio strategy

Diversification is a strategy that involves investing across or within different asset classes to minimise the ups and downs of financial markets. In other words, diversification is about not having all your eggs in one basket. Although having a diversified portfolio won't eliminate all volatility, a well-thought-out diversification strategy can help to reduce risk during this period and help with gaining more consistent returns over the long term.

Generally speaking, there are four broad asset classes: cash, fixed interest, property and shares. Because asset classes have their own unique economic cycles, when one class is making stronger returns, another may not be performing as well. By spreading your investments across and within different asset classes, you'll be in a better position to offset the volatility of individual investments.

Define your goals for investing

Knowing what you want your money to achieve will help you to remain focused through times of market volatility and bad news. One of the first steps to investing is to clearly define your investment goals. Taking time to consider what you want to achieve as a result of your investment process will guide you in determining specific investment goals.

Whatever your personal investment goals may be, it is important to consider the following questions: What is your time horizon? What is your investment risk tolerance? What are your liquidity needs? And are you investing for growth, income or both? ■

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Stuart Harding
FPFS FCSI MSc
Financial Planning Director

Every journey starts with a destination

Looking at the bigger picture for your wealth and security

Financial Planning Director, Stuart Harding looks at creating a robust and practical financial plan to take control of your financial future.

Every plan starts with a goal, just like every journey starts with a destination. Planning your financial future is not only important for your security, but it also provides peace of mind. Financial planning should be viewed as a long-term approach to managing your finances.

Creating your financial plan will help you see the bigger picture and set long and short-term life goals, which are crucial for mapping out your financial future. When you have a financial plan, it's easier to make financial decisions and stay on track to achieving your goals.

Robust and practical financial plan

Everyone's situation is unique, but creating a coherent, robust and practical financial plan is crucial if you want to take control of your financial future. We often meet people who suddenly realise that they took their eye off the financial ball.

When this happens, the impact of an unexpected situation or emergency can be much more intense, because there are money issues on top of a very stressful situation. So we look objectively at your plans to provide solutions that work as your priorities change over the years.

Time out to consider your financial position

Procrastination is the greatest enemy of achieving financial independence. Creating your financial plan doesn't have to be a daunting process. It is more about taking the time out to consider your financial position and what changes you need to make. And it's built on a close analysis of your entire financial position, requirements, prospects and objectives.

The first step is to identify your financial goals in the short, medium and long term. This could include buying a property, paying off the mortgage, retiring by a certain age or setting up your own business. There is no right or wrong financial goal – they are unique to you and what you ultimately want to achieve.

Meeting your needs today and in retirement

A financial plan will help you meet your needs today and in retirement and help protect you from the unexpected along the way. It includes the right mix of income, savings and insurance protection products to help you meet your financial goals.

Once you have identified your financial goals, it is important then to consider your current financial position. What assets and liabilities do you have, and what is your income and expenditure? You need to determine how much can you afford to save or invest on a regular basis to assist in achieving your goals.

Establishing the plan

Once you have determined your current position and your goals, the next stage is to develop your plan. Creating your road map will help you understand the financial structure you need in place to achieve your goals and reach each destination successfully. Any effective plan also needs to have tax planning as its foundation.

What should you consider for your financial road map?

Your goals
Where do you want to be or expect to be in 10, 20 and 30 years? Remember that you may be living in retirement longer than you think.

Your emergency fund
How do you plan on paying for unexpected events such as a career break, an extended illness or a job loss?

Your longevity
People are living longer, so there's a chance that you could be living into your 90s. Be optimistic. How much money will you need?

Your lifestyle
Consider the kind of lifestyle you have now and think about what you will want or need later on. How much will this lifestyle cost?

Your protection
How will you keep safe all that you hold dear if you were to die unexpectedly? What would happen if you were diagnosed as suffering from a serious illness? Could you continue to pay the bills?

Your current savings plan
How much money are you saving now? Is it enough to help fund your future short, medium and long-term goals? At what point do you expect to start using your savings for living expenses?

Your level of investment risk
Are you comfortable with the level of risk you're taking with your investments? Does it need to change to better reflect your own situation or the state of the economy?

Your income in retirement
Take a look at any income you may have in retirement. Are you ready for life beyond work? How much money do you need to retire? How long will your money last? How much will you need to spend?

Your estate plan
More than a Will, an estate plan can ease the burden on your loved ones, ensure your assets are distributed as you wish, reduce taxes, and plan for future personal care and health care needs. How do you want to pass on your wealth?

Review the plan
Effective financial planning is about much more than simply coming up with an initial strategy. Regularly going back to your plan and reviewing it is crucial to ensuring it remains suited to your needs and aspirations. As with all of life's plans, things can go awry and opportunities can present themselves.

Finding time in our busy schedules to review our financial plans is not always easy. You should review your plan at least annually, or when your circumstances change, to ensure that you remain on course to meeting your goals. It's also a time for reviewing the performance of your investments and changing these where appropriate. ■

A long life needs a smart retirement plan

Susan Tague APFS
Chartered Financial Planner

Reaching the big 50 can be a financial wake-up call

Chartered Financial Planner, Susan Tague considers the importance of prioritising your retirement planning so that you can retire comfortably when the time comes.

Your 50s are a crunch time when saving for your retirement. If you've already set a retirement savings target but have been neglecting it, the reality is that now you can't afford to delay your planning any further – and it's time for a careful review.

Are you on track to retire when you want to? Do you have enough in your pension pot to retire comfortably? A comfortable lifestyle means different things to different people. If you're in your 50s, it's important to make retirement planning a priority if you haven't done so already. At this age, retirement is no longer a distant concept, and time is short if your plans aren't on track.

Will you have enough money for retirement?

One of the advantages you have in your 50s is that you are no longer relying on very long-term projections to determine if you have enough for retirement. The decision to retire will also depend on how financially independent you are, how healthy you are and even perhaps whether you have hobbies or goals you'll want to pursue.

Now is the time to think about your retirement income goals and the steps that you need to take to achieve your goals. One of the most important things to do in your 50s is to work out how much money you'll need to retire comfortably.

There are many variables to consider, including the age that you plan to retire, your life expectancy, your income requirements in retirement, your expected investment returns, inflation, tax rates and whether you qualify for the State Pension.

Given the number of variables, this part of the retirement planning process is not always straightforward.

Do you know the answer to these questions?

Q: When do I want to retire?
Q: How much income do I want in retirement?
Q: Do I have previous personal or company pension plans that need reviewing?
Q: Can I work part-time and take some of my pension?
Q: How much will my State Pension be?
Q: Where is my pension money invested, and is it growing?
Q: Can I retire early?

Providing you with more clarity

Nowadays, it's common for many people to have accumulated an array of different pension agreements throughout their working life. By the time you have been working for a decade or two, you may have accumulated multiple pension plans on your career journey.

If appropriate, it may be worth considering a pension consolidation at this stage of your retirement planning process. This could provide you with more clarity in relation to your overall pension savings and make it easier to plan for your retirement. You may also benefit from lower costs.

But not all pension types can or should be transferred. It's important that you know and compare the features and benefits of the different pension agreements you are thinking of transferring. It is a complex decision to work out whether you would be better or worse off combining your pensions.

Alternative way to grow your pension savings

In your 50s, one alternative way to grow your pension savings is to save money regularly into a Self-Invested Personal Pension (SIPP) account. This is a government-approved retirement account that enables you to hold a wide range of investments and shelters capital gains and income from HM Revenue & Customs (HMRC).

SIPP contributions receive tax relief. Basic-rate taxpayers benefit from 20% tax relief, meaning an £800 contribution is topped up to £1,000 by the Government, while higher-rate taxpayers and additional-rate taxpayers can claim an extra 20% and 25% tax relief respectively through their tax returns. Please note that the tax relief claimed from your tax return won't be automatically added to your SIPP.

There is a limit to how much tax relief you are entitled to. It is currently applicable to contributions up to £40,000 or 100% of your earnings – whichever is lower. Another special feature is the three-year carry-forward rule. This rule allows you to carry the last three tax years' annual allowance into the current tax year.

This is a useful feature for people who were unable to use up their annual allowances in the past but have the ability to do so for the current tax year. You must use this year's allowance before using the carry forward rule.

There is also the option to invest within a Stocks & Shares ISA. Like the SIPP, this type of account allows you to hold a wide range of investments, and all capital gains and income are sheltered from HMRC. Each individual can contribute £20,000 per year into a Stocks & Shares ISA.

Good time to review your asset allocation

Your 50s is also a good time to review your asset allocation as you'll want to ensure it matches your risk profile now that you are getting closer to retirement. If appropriate to your situation, it may be sensible to begin reducing your exposure to higher-risk assets such as equities as there is less time to recover from a major stock market correction. If retirement beckons in the short to medium term, you may look to build a sustainable portfolio with perhaps an emphasis on greater income and reduced volatility and risk. However, moving away from an exposure to growth assets entirely or too early can be very expensive, so it's essential you obtain professional financial advice before taking any action.

Unless your situation is unusual, some retention of these growth assets is going to be required during a retirement that could last more than 30 years. It's important to balance the need for liquidity and an exposure to growth assets.

Review your retirement planning on a regular basis

Finally, in your 50s, it's important to review your retirement planning on a regular basis. As with any other aspect of your personal finances, it's essential to conduct regular reviews of your pension arrangements to ensure that they fit best with your current situation.

A regular review will ensure healthy progression towards retirement by checking that you are firmly on track with your retirement goals. This is the time to adjust your plan to fit any evolving needs and desires for your post-retirement years. We all change as people over time, and our pension pot needs to reflect our most current reality.

Retirement planning is a continual process, and the more often you review your progress, the more prepared you'll be for retirement and the more in control you'll feel. At a minimum, aim to review your retirement planning at least once annually to ensure that you're on track to achieving your retirement goals.

A pension is a long-term investment.

Transferring out of a final salary scheme is unlikely to be in the best interests of most people.

The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available.

Pensions are not normally accessible until age 55. your pension income could also be affected by interest rates at the time you take your benefits. the tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation, which are subject to change in the future.

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accessing pension benefits early may impact on levels of retirement income and your entitlement to certain means tested benefits and is not suitable for everyone. you should seek advice to understand your options at retirement.

Tax-efficient shelters

Use your ISA allowance or lose it forever

Even though the Individual Savings Account (ISA) deadline may be a number of months away, and despite the tax year date remaining the same year in year out, somehow it always creeps up on us. A tax year runs from 6 April one year to 5 April the next.

So rather than subjecting yourself to the mad rush of deciding how to fully utilise your 2019/20 ISA allowance, now is a good time to start preparing how you intend to use it. You also need to remember that if you don't use your current ISA allowance by 5 April 2020, you've lost it forever.

You can shelter returns from tax

ISAs are a means of saving tax-efficiently and were introduced by the Government to encourage more of us to save and invest. Each tax year, the Government sets a limit on the amount you can contribute to an ISA (currently £20,000).

A married couple could invest £40,000 before 5 April 2020, followed by a further £40,000 on 6 April 2020 – a total of £80,000 invested with all profits or dividends completely free from UK Income Tax and Capital Gains Tax.

Time to consider your ISA options?

There are six different types of ISA, and they each have slightly different features:

Cash ISA

Basic and higher-rate taxpayers receive a Personal Savings Allowance (PSA) that sets the amount of interest they can earn tax-free in any year. The total amount you can save in a Cash ISA in the current 2019/20 tax year is £20,000. Using a Cash ISA gives you further flexibility to earn interest from the ISA without paying tax on it. Different accounts are available, which can offer easy access to your money – useful for short-term savings. When deciding what to do with any spare money you have, it's worth bearing in mind the effect of inflation on what your money can buy. If inflation is higher than the interest you're earning, then the cost of living is going up faster than the rate at which your money is growing.

Stocks & Shares ISA

In the current 2019/20 tax year, you can invest up to £20,000 in a Stocks & Shares ISA, which is generally considered a medium to long-term investment. You have complete flexibility as you can choose to invest your money in a wide range of different investments, and any money you make in profit or dividends is completely free from UK Income Tax and Capital Gains Tax. You can invest a single lump sum or smaller amounts, but must you remember that once the tax year is over, if you have not used all your ISA allowance, you will lose it.

Junior ISA

Junior ISAs are a way to save tax-efficiently for your children. There are two types of Junior ISA: a Cash Junior ISA and Stocks & Shares Junior ISA. Family and friends can put up to £4,368 into the account on behalf of the child in the

2019/20 tax year. There's no Income Tax or Capital Gains Tax to pay on the interest or investment gains. Junior ISAs are available to any child under 18 living in the UK.

Help to Buy: ISA

A Help to Buy: ISA was introduced to help first-time buyers save towards the cost of buying their first home. You can make an initial deposit of £1,000 when you open a Help to Buy: ISA, and then receive £50 for every £200 saved up to a maximum of £12,000. The tax incentive is capped at £3,000. You also earn tax-efficient interest on your savings as with a standard ISA. These ISAs are limited to one per person rather than one per house. You can't contribute to a Cash ISA in the same tax year. The Help to Buy: ISA scheme closed on 30 November 2019. Since then, they have not been available to new savers anymore. However, if you opened your Help to Buy: ISA before then, you can keep saving into your account until 30 November 2029 when accounts will close to additional contributions. You must also claim your bonus by 1 December 2030.

Lifetime ISA

The Lifetime ISA is a longer-term tax-efficient savings account that will let you save up to £4,000 per year and receive a government bonus of 25% (up to £1,000). As with other ISAs, you won't pay tax on any interest, income or capital gains from cash or investments held within a Lifetime ISA. It's designed for first-time buyers between the ages of 18 and 40 to use towards a deposit for their first home or towards future retirement savings once they hit 60 years of age.

Innovative Finance ISA

An innovative finance ISA (IFISA) lets you use your tax-efficient ISA allowance while investing in peer to peer (P2P) lending. They work by lending your money to borrowers, and in return you receive interest based on the length of time and the risk of your investment. However, they are considered higher risk than other types of ISA due to the risk of default by borrowers and the lack of a secondary market for these types of assets. ■

Information is based on our current understanding of taxation legislation and regulations. any levels and bases of, and reliefs from, taxation are subject to change.

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Dan Bowen FPFS
Chartered Financial Planner

Tax-wise

Make the most of your valuable allowances, reliefs and exemptions

Chartered Financial Planner, Dan Bowen explains how to make the most of your allowances, reliefs, and exemptions to keep your finances tax-efficient. The end of the 2019/20 tax year is just over three months away on 5 April. As this date approaches, the window of opportunity reduces if you want to make the most of valuable allowances, reliefs and exemptions that could help reduce your tax bill and make sure your finances stay tax-efficient.

Some of these allowances will be lost forever if they are not used before the tax year end – and the sooner you claim them the better. Every year, some people leave end-of-year tax planning until the last minute. But leaving planning until the eleventh hour increases the risk that you will discover you have left it too late and missed out on the chance to improve your financial position.

Income Tax

Consider making use of lower-rate tax bands. It's important to review the tax implications of transferring income-producing assets and taking note of anti-avoidance and settlements legislation.

The way you receive an income, and the rates and allowances that apply, should be at the front of your mind. How much you pay depends on where you live in the UK, with Scotland and Wales in receipt of devolved powers to set their own Income Tax bands on top of the personal allowance.

The annual dividend allowance remains at £2,000 for 2019/20 after reducing from £5,000 this time last year. With the new personal allowance of £12,500 added to the frozen dividend allowance, the maximum tax-free income you can receive through dividends is £14,500 in 2019/20.

Some smaller amounts of income are tax-free up to annual limits. Under the Government's rent-a-room scheme, you can continue to earn tax-free income of up to £7,500 a year from letting out a furnished room in your home.

Individual Savings Account (ISA) allowance

With a Cash ISA or a Stocks & Shares ISA (or a combination of the two), you can save or invest up to £20,000 a year tax-efficiently.

If you are in a position to, it makes sense for you and your spouse to take advantage of each other's ISA allowance, particularly if one of you has more financial resources than the other. That way, you can save (in the case of Cash ISAs) or invest (in the case of Stocks & Shares ISAs) up to £40,000 tax-efficiently in 2019/20.

Currently, 16 and 17-year-olds actually get two ISA allowances, as they're able to open a Junior ISA (which for 2019/20 has a limit of £4,368) and an adult Cash ISA. This means that you can put away up to £24,368 in your child's name tax-efficiently this tax year.

People aged 18–39 can open a Lifetime ISA, which entitles them to save up to £4,000 a year until they're 50. The Government will top up the savings by 25%, up to a maximum of £1,000 a year.

Pension contributions

The annual pensions allowance enables you to contribute up to £40,000 in 2019/20. If your adjusted income exceeds £150,000 in 2019/20, your annual allowance will be reduced by £1 for every £2 that exceeds this threshold down to a limit of £10,000.

Any unused pensions annual allowance can be carried forward for three tax years, providing you were a member of a registered pension scheme during that period. This unused allowance can be added to your 2019/20 annual allowance, giving a maximum pension contribution of £160,000, all of which will attract personal tax relief if you have the required level of relevant earnings.

You can also increase your basic State Pension by paying voluntary Class 3 National Insurance Contributions (NICs).

Inheritance Tax

You can act at any time to help reduce a potential Inheritance Tax (IHT) bill when you're no longer around.

Gifts of up to £3,000 per year can be made on an IHT-free basis. The limit

increases to £6,000 if the previous year's annual exemption was not used.

A married couple can therefore make IHT-exempt gifts totalling £12,000 – if unused, the annual allowance can be carried forward to the next tax year only. This simple technique could save a possible IHT bill of £4,800 in the event of your untimely death.

You should also consider using other annual gifts such as gifts in consideration of marriage or £250 small gifts.

Capital Gains Tax allowance

Capital Gains Tax (CGT) is a tax on the gains and profits you make when you sell something, such as an investment portfolio or second home.

Everyone has an annual allowance of £12,000 (in 2019/20) before CGT applies. Like the ISA allowance, it doesn't roll over – so if you don't use it, you'll lose out. And you may have to pay more CGT in the future.

Also, it's worth remembering the allowance is for individuals, so couples have a joint allowance for 2019/20 of £24,000. In some situations, it may be appropriate to transfer assets into your joint names so you both stay within your individual allowances. However, this is only effective if the gift is a genuine gift of beneficial ownership, and the transferor does not continue to benefit from the asset following the transfer.

> Capital Gains Tax (CGT) is a tax on the gains and profits you make when you sell something, such as an investment portfolio or second home.

Information is based on our current understanding of taxation legislation and regulations. any levels and bases of, and reliefs from, taxation are subject to change.

The tax benefits relating to isa investments may not be maintained. tax rules are complicated, so you should always obtain professional advice.

A pension is a long-term investment.

The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. past performance is not a reliable indicator of future performance.

Pensions are not normally accessible until age 55. your pension income could also be affected by interest rates at the time you take your benefits. the tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation, which are subject to change in the future.

Women's State Pension age changes

Government's bid to ensure 'pension age equalisation'

On 3 October, campaigners lost a significant legal battle against the Government's handling of the rise in women's State Pension age. Up until 2010, women received their State Pensions at the age of 60, but that has been increasing since then.

The retirement age for women has increased from 60 to 65, in line with men, and will go up to 66 by 2020, and to 67 by 2028. Nearly four million women have been affected by these changes. Women born in the 1950s claim the rise is unfair because they were not given enough time to make adjustments to cope with years without a State Pension.

Fast-tracked changes

Plans to increase the State Pension age were announced firstly in the Pensions Act 1995, but the changes were fast-tracked as part of the Pensions Act 2011. The Government decided it was going to make the State Pension age the same for men and women as a long-overdue move towards gender equality. Campaigners have argued the changes are discrimination, but the judges disagreed.

In a summary of the High Court's decision, the judges said: 'There was no direct discrimination on grounds of sex, because this legislation does not treat women less favourably than men in law. Rather it equalises a historic asymmetry between men and women and thereby corrects historic direct discrimination against men.'

Pension age entirely lawful

The Court also rejected the claimants' argument that the policy was discriminatory based on age, adding that even if it was, 'it could be justified on the facts'. The State Pension age has been increased by successive governments in a bid to ensure 'pension age equalisation' – so that women's State Pension age matches that of men.

A spokesman for the Department for Work and Pensions said: 'We welcome the High Court's judgment. It has always been our view that the changes we made to women's State Pension age were entirely lawful and did not discriminate on any grounds.'

Financial hardship for many

Up until 2010, women received their State Pensions at the age of 60, but that has been rising since then. While most campaigners support pension age equality, they argued that the Government was discriminatory in the way it has introduced it. The judges said there was nothing written into the law that ordered specific notification about the pension age changes.

The result has been that some women who thought they would retire and receive a State Pension at 60 found that they would have to wait longer – for some, a wait of more than five years, which has resulted in financial hardship for many.

Focus of much of the campaign

Those affected were born in the decade after 6 April 1950, but those born from 6 April 1953 were particularly affected and have been the focus of much of the campaign.

In June, the judicial review in the High Court heard the claim from two members of the Backto60 group who said that not receiving their State Pension at the age of 60 had affected them disproportionately. They argued that many women took time out of work to care for children, were paid less than men and could not save as much in occupational pensions, so the change had hit them harder.

Disadvantaged millions of women

The Backto60 group is seeking repayment of all the pensions people born in the 1950s would have received if they had been able to retire earlier. It argues that the speed of the change and what it calls the 'lack of warnings' has disadvantaged millions of women.

However, the Government has estimated that a reversal of the pension changes in the Acts of Parliament of 1995 and 2011 would cost £215 billion over the period 2010/11 to 2025/26. About £181 billion of that would be money potentially owed to women, and the rest to men.

'Bridging' pension to cover the gap

The Backto60 group has taken this legal action to demand 'the return of their earned dues'. The separate Women Against State Pension Inequality (WASPI) group is calling for a 'bridging' pension to cover the gap from the age of 60 until their State Pension is paid.

Commenting, the group said: 'We can't simply follow in our parents' footsteps as the social norms that worked for them are unlikely to work over longer lives. We will all have to start doing things differently. This is particularly apparent in retirement planning.' ■

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State pensioners

Inflation-busting increase to weekly payments on the horizon

In October last year, those receiving the State Pension found out that their weekly payments will increase by 4% from April 2020, subject to any last minute adjustments.

This means the full new State Pension will see an increase from £168.60 weekly to £175.35 weekly, and the full old basic State Pension will see a rise from £129.20 weekly to £134.35 weekly.

'Triple lock'

Under current rules, the State Pension is increased by the 'triple lock' which is the highest of earnings growth, price inflation or 2.5% a year. The price inflation figure used is for the year to September, which was announced in mid-October, following a fall in the August figure to 1.7%, down from 2.1% the previous month[1].

But the earnings growth figure used is that to July (seasonally adjusted and including bonuses), which was 4%[2]. This means pensioners are on track to receive a 4% increase – far above the rate of increases we're currently seeing with prices.

Purchasing power

The triple lock was announced back in 2010 as a way of making sure pensioners didn't fall behind the working age population in terms of their State Pension purchasing power. It was first used to increase the State Pension in April 2011 and, since then, state pensioners have done well from the triple lock, with overall increases outstripping both price inflation and earnings growth.

Significant cost

A single person receiving the old basic State Pension, which was £97.65 back in April 2010, is now receiving £129.20 – an increase of 32% – while prices have increased by 24% and average earnings by only 20%.

This will be welcome news for current state pensioners. However, these above-inflation increases do come at a significant cost. The State Pension is not funded in advance, so pensions are funded on a 'pay as you go' basis from today's workers' National Insurance contributions. ■

Source data:

[1] CPI Annual Rate: https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23

[2] LMSB SA AWE total pay WE growth yr on yr 3 months average: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/timeseries/kac3/lms

Figures from the Office for Budget Responsibility show that without the triple lock, or under just earnings indexation, spending is projected to increase by £21 billion between 2020/21 and 2060/61. Under the triple lock, the increase is projected to be £35 billion in today's terms for the same period. These figures assume the Government raises the State Pension age for men and women to 68 by 2041 and 69 by 2055.

Gender gap in retirement savings

Women say they will have £100,000 less in retirement than men

For women, the salary gap they face during their careers eventually turns into a retirement savings gap. While our country has come a long way on gender equality, the pay gap remains a prominent issue. It's felt in many aspects of women's lives, most significantly in retirement savings.

Women are saving less than men for their retirement, with only 15% saving for the future compared to 20% of men[1]. The previously unpublished figures show that women are worried they will not have enough in their pension pot in time for their retirement, with 25% saying this is because they didn't start saving for their retirement early enough.

Saving enough to ensure a comfortable standard of living

When it comes to how much they think they will hold when they reach retirement age, women anticipate they will have £168,006. This is almost £100,000 less than men who think they will have £255,328.

In addition, only 22% of women believe they are saving enough to ensure a comfortable standard of living for the future, compared to 33% of men. Data shows that women are saving less of their net income each month than men, with women putting aside 9.4% of their net income compared to the 11.4% saved by men.

Not knowing what to do with a pension pot at retirement

The findings reveal that more men have plans for their retirement pot than women, with 38% of women claiming that they don't know what to do with their pension when they retire compared to 32% of men.

While 21% of men said they planned to withdraw it as a lump sum, only 13% of women said they planned to do the same. Furthermore, 21% of females said they would be relying on a State Pension in their retirement compared to just 13% of men.

Start early when it comes to saving and investing

The latest figures from HM Revenue and Customs[2] show that while the gender split of numbers of Individual Savings Account (ISA) subscribers is broadly equal, males accounted for a marginally higher proportion of the higher value ISA holders. Males accounted for 52% of ISA holdings worth £50,000 or more, while 52% of females' own holdings are worth up to £2,499.

Factors such as longevity and career breaks can negatively affect a woman's long-term financial situation. 'Start early when it comes to saving and investing' is the adage, and its importance should not be underestimated. But for some, it is even more important, including women and anyone who might take a career break. ■

Source data:

[1] Brewin Dolphin 23 May 2019

[2] 30 April 2019 https://www.gov.uk/government/statistics/individual-savings-account-statistics

Time to update your planned retirement date?

Savers risk missing out on money from their final pension pot

Millions of savers risk missing out on money from their final pension pot if their provider doesn't have their correct planned retirement date. The analysis[1] revealed that workplace pension savers in the UK could miss out on thousands of pounds in retirement because they haven't updated their planned retirement date.

Recent changes to State Pension age, and the removal of the default retirement age, means people are now free to work for as long as they want or need. Previously, women would receive their State Pension at age 60 and men at 65. Now, anyone aged under 41 won't receive it until they are 68.

Consequences in terms of retirement income

If someone is planning to retire later and fails to notify their pension provider, there can be consequences in terms of retirement income. This outcome can occur because every default investment solution has a de-risking element.

This means that as savers get closer to their retirement date, investments are switched from higher-risk (higher return) funds to lower-risk (lower return) funds to protect their retirement savings from sudden market moves.

Average earner in an automatic enrolment scheme

The analysis shows that an average earner in an automatic enrolment scheme could miss out on more than £4,000[2] in their pension pot by sticking with a default retirement age of 65 when they actually intend to retire at 68.

But anyone whose retirement age is still set at 60 could miss out on almost £10,000. This is a situation that is more likely to affect women, due to the way default retirement ages were set in the past.

Moving investments to less risky assets too early

If a provider holds a retirement age that is too young, they will move investments to less risky assets too early. This means people lose out on investment growth when their pension pot is the largest.

If they hold a retirement age that is too old, they will keep the money invested in riskier investments for too long. If investments lose value too close to the planned retirement age, there may not be time for them to recover their value. This means less money, or perhaps a last-minute delay to retirement plans.

Setting the default retirement age for all employees

With 47% of all workers saving into defined contribution pensions[3], and around 90% of those invested in default funds, this issue could affect a significant number of people.

Employers typically set the default retirement age for all their employees when they first set up their workplace pension. Members can then contact their provider and set their own retirement date.

Retiring at a different age than was originally assumed

De-risking profiles have been carefully designed to balance risk and return in the approach to retirement. But this balance is thrown out of kilter if someone wants to retire at a different age than was originally assumed when they started their pension.

Changing your retirement age is a really simple way to maximise the potential returns of your pension investments. Plus, it's an opportunity to check how much is in your fund and if you're on course to achieve the type of retirement you want. ■

Source data:

[1] Aviva Life 11 September 2019

[2] Loss for an individual earning £27,664 automatically enrolled at age 22 into an AE minimum scheme invested in Aviva's My Future default fund, contributions assumed to increase annually at 2.5%, figures discounted for inflation at 2.5% p.a.

Retirement age set to 68, life styling begins at 53 – total fund value at 68 is £137,600

Retirement age set to 65, life styling begins at 50 – total fund value at 68 is £133,500

Retirement age set to 60, life styling begins at 45 – total fund value at 68 is £127,700

[3] Employee workplace pensions in the UK: 2018 provisional and 2017 revised results. Office for National Statistics

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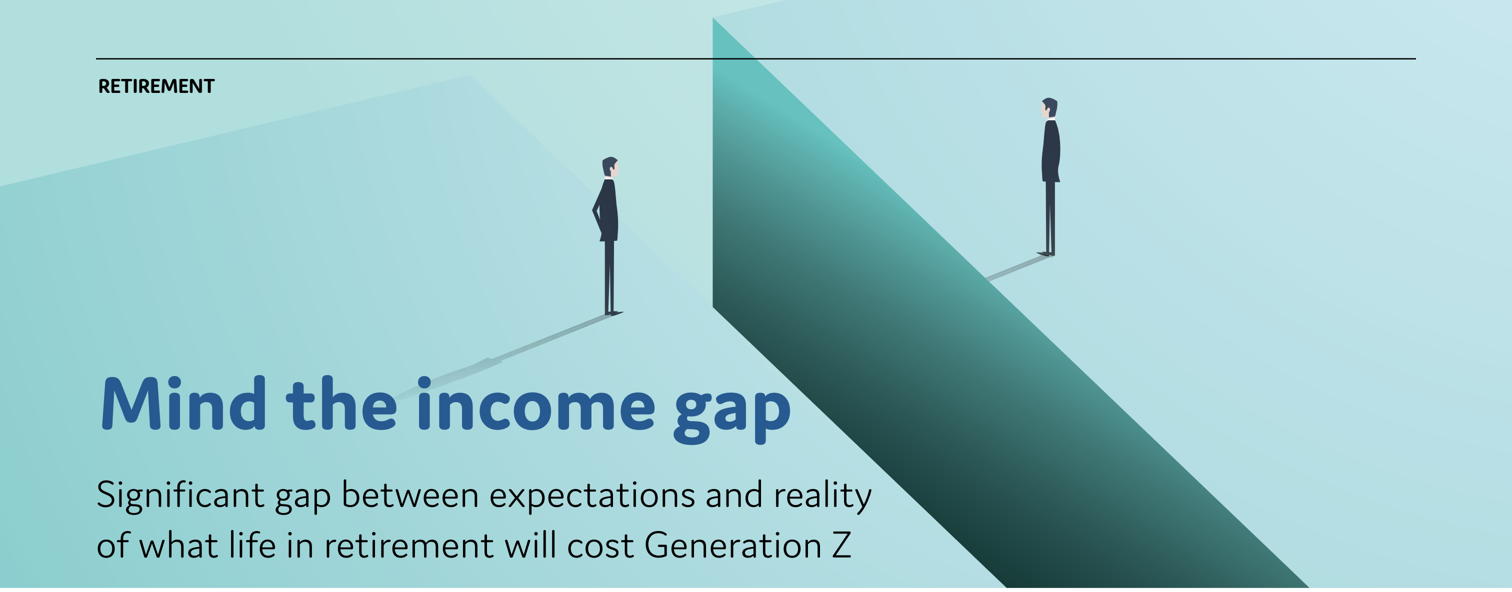

Mind the income gap

Significant gap between expectations and reality of what life in retirement will cost Generation Z

When most people envision their retirement, positive images start forming. We may picture spending our days lounging on the beach, travelling, practising our favourite hobbies, or having free time to spend with friends and taking the grandchildren on countless adventures.

But it's becoming clear that because so many people associate only upbeat feelings with retirement, it might turn out to be a problem. This could cause the gap between retirement expectations and realities to grow without a proper retirement plan.

Expectations of what life in retirement will cost

According to a new study, there is a significant gap between the expectations of what life in retirement will cost Generation Z and the actual reality for pensioners in the UK. This is the generation reaching adulthood in the second decade of the 21st century and born between 1995 and 2015.

The Future Of Retirement report[1] found that the average saver believes they need an annual income of £25,000 for a comfortable retirement – but at current saving rates, their total pension pot will provide an income of only £18,500 per year.

Even steeper gaps between expectations and reality

The report highlights the fact that 'disengaged' savers and the self-employed face even steeper gaps between expectations and reality. 'Disengaged' savers, who make up 38% of the population, do not know how much they are saving or if they are saving anything at all. Despite also anticipating a retirement income of £25,000 each year, this group will only receive £13,000 per year if automatically enrolled – a shortfall of £12,000, or almost half the money they expect to need.

The report proposes that increasing minimum contribution rates could help bridge the gap for 'disengaged' savers. Those who might be more vulnerable to financial pressures, or on lower-middle weighted incomes, have lower expectations, citing £17,500 as the annual income needed in retirement. They still, however, face a significant gap of £3,200 between their expectations and their projected retirement income of £14,000.

Facing real pressures in saving today, let alone for retirement

While this shortfall is lower than the national average, its impact could be great, as this group face real pressures in saving today, let alone for their retirement. In fact, one in five (20%) of those currently earning between £10,000 and £20,000 per annum believe they will never be in a position to retire.

Those who rent in retirement may have to find sufficient income to cover thousands of pounds of additional rental costs. That is sufficient to risk even the typical saver running into real hardship. Financial pressures over a person's working life might mean that they take periods of absence from contributing to their retirement savings. This can rapidly diminish the pot they will have in retirement. ■

Source data:

[1] Scottish Widows – fieldwork was carried out 11–29 April 2019. The modelling in this report was conducted by Frontier Economics and is based on a subset of responses to our annual Retirement Report survey, which probed the current income, savings and retirement income expectations of respondents, and was carried out online by YouGov Plc across a total of 5,036 adults aged 18+. Data was weighted to be representative of the GB population.

The assumptions made in The Future of Retirement report are intended to reflect realistic prospects for investment and wage growth over a lifetime. Modelling surveyed individuals between the ages of 20 and 29 (20–39 for the self-employed due to smaller sample sizes) and assumes a retirement age of 68. The average savings gap identified is based on the responses of 300 individuals who are currently saving and aged between 20 and 29.

The savings gap for the disengaged is based on the responses of 154 individuals aged between 20 and 29 who say they do not know how much they are currently saving. Finally, the savings gap for the self-employed is based on the responses of 89 self-employed individuals who are aged between 20 and 39.

Generation game

Lending soars at Bank of Mum and Dad

The Bank of Mum and Dad has been branded as socially divisive and a symptom of Britain's broken housing market as new figures reveal it is now one of the UK's biggest mortgage lenders. Thousands of over-55s are generously gifting money as part of the Bank of Mum and Dad, using savings and even pensions to help their family onto the housing ladder, research has revealed[1].

However, the new data also shows that many people could be accepting a more uncertain retirement after financially supporting family members to buy a home. These latest findings follow earlier research which showed that this year, the average Bank of Mum and Dad contribution has risen by more than £6,000 to £24,100. The rise means that the Bank of Mum and Dad is now the equivalent of a top-ten UK mortgage lender, gifting a total of £6.3 billion in 2019[2].

Supporting loved ones to buy a home

Parents and grandparents across the UK are overwhelmingly in favour of supporting their loved ones to buy a home. More than half (56%) of the Bank of Mum and Dad lenders who have or would consider helping family to purchase property said they are willing to because 'it was a nice thing to do'. Almost another fifth (19%) said they feel it's their personal responsibility to help out.

The research also shows that when it comes to gifting money, the Bank of Mum and Dad is drawing on a wide range of sources to financially support other family members with a deposit. Although more than half are using cash (53%), 9% are cashing in lump sums from their pension savings, 7% are using their pension drawdown, and 6% are drawing on their annuity income to help support their loved ones' homeownership ambitions.

Digging ever deeper into retirement savings

Despite this generosity, digging ever deeper into their retirement savings is leading some over-55s into a more uncertain retirement. Over a quarter (26%) of Bank of Mum and Dad lenders are not confident they have enough money to last retirement after helping their loved ones, and 15% have had to accept a lower standard of living. A small number (6%) are even choosing to postpone their retirement.

However, the Bank of Mum and Dad research has also revealed that consumers are increasingly considering other solutions that can help them to support family members but also pay for the retirement they want to lead. Unlocking housing wealth with equity release is becoming more popular with the over-55s, and many are now using the money to help with a deposit. ■

Source data:

[1] Legal & General and Cebr 27.08.19

[2] www.ukfinance.org.uk/news-and-insight/blogs/largest-mortgage-lenders-strong-2018-growth-specialist-lending

Get-rich-quick schemes

Financial fraud nets millions for organised crime scammers

Fraudulent get-rich-quick schemes are netting millions for organised crime. But investment scams can be difficult to spot because they're designed to look like genuine investments, with most scammers

In the first six months of this year, across all categories of financial fraud, a total of £207.5 million was stolen from almost 60,000 people, according to UK Finance, an industry body. Increasingly, they are using sophisticated and effective tactics to get you to part with your money. Even though some investment scams may look like a real deal, there are some red flags you can spot to help you steer clear of them.

The scammer's offer will sound legitimate

You may receive a telephone call or email from a scammer claiming to be a stockbroker or portfolio manager and offering you financial or investment advice. They may claim what they are offering is low-risk and will provide you with quick and high returns, or encourage you to invest in overseas companies. The scammer's offer will sound legitimate, and they may have resources to back up their claims. They will be persistent and may keep calling you back.

Some investment scams may even claim to be regulated by the relevant authorities to mislead you. In the UK, a firm must be authorised and regulated by the Financial Conduct Authority (FCA) to perform most financial services activities. A growing number of scams, often promoted on social media websites, involve foreign exchange trading and cryptocurrencies.

According to the FCA, the number of scams involving these two more than tripled in 2018/19, meaning they should be treated with particular caution. Many scams will try to use social proofing, using fake online reviews or fraudulent adverts to look credible.

How to protect yourself

The FCA has recommended four simple steps to help protect yourself from investment-related scams:

- Reject unexpected offers – if you receive a call or email concerning an investment opportunity out of the blue, there is a very high chance that it is a scam. The best thing to do is to hang up the phone or ignore this kind of correspondence
- Check who you are dealing with – literature and websites may appear authoritative, but don't assume it's real. You can easily verify a firm's identity on the Financial Services Register. Use the contact details on the Register, not the details given to you, to avoid 'clones' of companies you trust
- Don't be rushed – common strategies employed by fraudsters include pressure to invest before a false deadline or on special terms. Sales tactics like this should always ring alarm bells. Any investment company you would want to deal with won't pressure you into making important financial decisions
- Seek impartial information or advice – rather than take advice from an outfit that has approached you unexpectedly, consider seeking professional financial advice to plan your investment decisions. While you will be charged a fee for this service, it could end up being money well spent

Remember the old adage: if the opportunity sounds too good to be true, it probably is. ■

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