



SIMPLY WEALTH

YOUR WINDOW ON FINANCIAL MATTERS

Winter 2019



What money rules would you pass to the next generation?

As parents and grandparents, we all hope the values that we hold dear can somehow be passed on to our children and grandchildren. We'd all like them to be able to make the right financial decisions for the future. Here are a few thoughts that might just help.

Spend less than you earn

It's not easy to get ahead if you're spending as much, or more, than you're earning. Everyone needs a back-up fund, and one of the easiest ways to ensure you're putting money by for a rainy day is to pay yourself first. Transferring money into a savings account on pay day can help you manage your budget better and encourage you to maintain the savings habit. If you don't have any cash reserves, you could find yourself building up debt by putting emergency spending onto your credit card.

Take control, keep on track

Everyone has financial aims and learning to control money from a young age will help them become achievable. Whether it's saving for a deposit for a home of your own or ensuring you have enough to live on in retirement, starting early, getting good advice and regularly reviewing the progress you're making towards your goals all make good sense.

If it seems to be too good to be true...

Financial scams are now widespread and come in a variety of forms. What



they offer may look appealing and be presented by people who seem plausible, but scams have resulted in people being used as money mules and risking criminal prosecution or losing substantial amounts of money to bogus or unsound investments, or even being conned out of their entire pension savings. Don't let this happen to you.

Taking financial advice about major transactions such as investments, mortgages and pensions aims to ensure that your interests will always be fully protected, and you will be able to make the right decisions for your financial future. 🐷

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

Volatility and me



Volatility is all part and parcel of investing in the stock market. 2017 saw the market experience lower volatility, as confidence grew, but in 2018, the bounce back in volatility was pronounced as unease over global events increased.

To help navigate market volatility, it's best to stick to your plan, diversify your holdings and very importantly, expect and accept volatility. Your goal, whether it be retirement, education or a large purchase, will determine your asset allocation and time horizon.

Investors with diversified portfolios, who stay in the market, have historically and consistently experienced steady gains over time. So, ignore the noise and daily market movements, and focus on the long term. It's important to remember that volatility also presents buying opportunities.

It's a good idea to review your investment objectives whenever you have a major change in your life, so keep in touch with us. 🐷

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In the news

UK pensioners get a worse deal than Colombians

Pensioners in the UK languish way down the table when it comes to the quality of pension provision offered to the poorest and the self-employed. They're worse off than counterparts in countries like Colombia, Chile, Australia and Germany¹. However, they do enjoy better benefits than those available in France, Italy, Spain and the US.



Pensioners finally get legal protection from cold callers

The long-awaited measures to curb cold calling are now to take effect. Documents released as part of the Budget include draft rules to ban pensions-related cold calling, which the Government will put before Parliament and bring into force "as soon as possible thereafter".

The Government's new rules make it illegal for companies to call people out of the blue and discuss their pension plans. Unsolicited calls are banned, and only companies authorised by the Financial Conduct Authority, who have your prior permission, or a trustee of your workplace scheme, will be allowed to call about your pension.

HMRC returns £38m to pensioners

Last autumn there was some good news for those withdrawing pension cash. HMRC paid back £38m it had wrongly charged pensioners because their system fails to recognise one-off payments and assumes that the amount will be paid regularly. If you have been affected, visit www.gov.uk to find out how to claim a refund.

¹ Mercer, Global Pension Index, Oct 2018

What the 2018 Budget means for older people

Whilst the Chancellor set out some extra spending in key areas such as the NHS, he prefaced his remarks by saying that he might need to present an Emergency Budget in the event of no deal being secured in Brexit negotiations, so this was in many ways a 'wait and see' Budget.

Taxation and pensions

The personal allowance will increase from £11,850 to £12,500 in April 2019, a year earlier than originally planned. The threshold for paying higher rate tax will also rise from £46,350 in 2018-19 to £50,000 in 2019-20.

Although there had been speculation that major changes to pension taxation might be in the offing, these didn't materialise. However, the Lifetime Allowance will increase in line with the Consumer Prices Index to £1,055,000 for 2019-20. The annual ISA limit of £20,000 remains unchanged for 2019-20. The dividend allowance of £2,000 remains unchanged, as does the personal savings allowance of either

£1,000, £500 or £0 (according to marginal tax rate).

Social care

Many commentators felt that the proposed investment in social care - £650m plus £55m on disabled facilities - wasn't enough and would do little to improve the overall standard of support available in the community. The spending plans that were announced prioritised lessening pressure on the NHS by reducing bed blocking, rather than ensuring improvements in care packages.

The promised £20.5bn over five years for the NHS in England comes as good news, but how this will be allocated isn't clear. The commitment to put extra money into mental health care is also welcome, and it's hoped that some of that money will be allocated to the care of elderly patients.

In addition to the cold calling ban, National Trading Standards are due to receive additional funding to extend the provision of call blocking technology for vulnerable people. 📞



Gifting early to avoid IHT

With the Government announcing a dramatic rise in probate fees, many people are considering reducing the size of their estate to minimise the Inheritance Tax (IHT) and probate fees that will be payable on their death. In the most extreme cases, estates worth over £2 million will pay £6,000 in probate fees, in addition to any IHT due on the estate.



Recent research² estimates that nearly seven million parents have already given their children around £227bn of their wealth early in order to reduce the amount of IHT payable on their estates. A further 6.5m are thought to be considering similar moves.

Using trusts and life policies

Many families are using trusts to ring-fence assets, effectively removing their value from their estates. However, anyone considering giving away assets in their lifetime should take professional advice. Inheritance Tax is complex and lifetime gifts can end up being taken into consideration for tax purposes if all the conditions applying to these types of gifts aren't fulfilled. Also, Chancellor Philip Hammond earlier this year ordered a review of the IHT system, the implications of which we will monitor closely.

The Financial Conduct Authority does not regulate some forms of taxation advice.

² Direct Line Group, Oct 2018

Number of working women aged 60-64 has doubled

Employment statistics show that more women are staying in the workplace for longer, with 48.5% in this age bracket in employment³, compared with just 23.4% back in 1998. This is attributed variously to the short-notice rise in the state pension age from 60 to 65 or 66 currently affecting many women born in the 1950s, higher incidence of divorce later in life, financial necessity, or simply a desire to keep mentally active.

It's also a welcome indication that employers acknowledge the benefits of retaining the skills of older employees within the workplace, though most employers can no longer force retirement when an employee reaches a certain age. 🌿

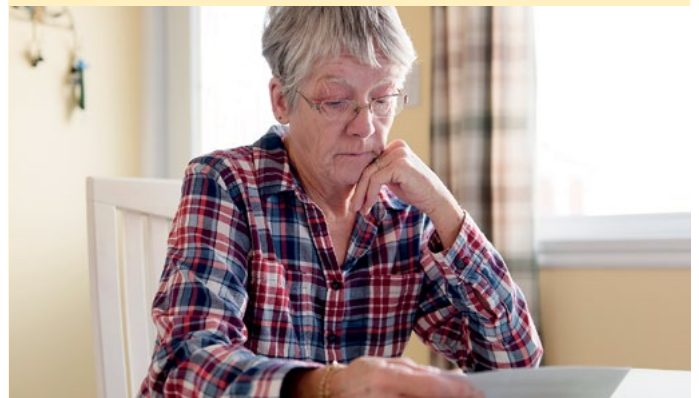
³ Royal London, Oct 2018

Trends in baby boomer retirement plans

Living through decades of increasing prosperity has undoubtedly given baby boomers a lot of advantages, but they can also face a number of challenges. Today, many feel pressured into working past their normal retirement date, often because of the number of demands being made on their finances by their families. If they are unable to work, they can have concerns about outliving their savings.

They may face the need to give emotional and financial support to their very elderly parents as well as their children, and sometimes their grandchildren too. All this while also working out how they can best provide for their own retirement and worrying whether they will have sufficient funds saved to pay for their own later-life care.

These concerns have played their part in the growing trend in semi-retirement. The state retirement age is now widely viewed as less of a milestone, with many choosing to work on past that date, for financial reasons or for the mental stimulation that work provides.



A growing role for advice

Research carried out for The London Institute of Banking & Finance⁴ shows that many baby boomers have yet to put plans in place for the years that lie ahead. The findings show that 35% worry about how they will manage financially in retirement, 47% say they know they need to save more for the years ahead, 72% realise that they will have to provide for their own care costs.

Interestingly, only 20% of those aged 50 to 59 who took part in the survey had taken financial advice, despite 44% freely admitting that they don't have sufficient knowledge to make the best decisions for their future.

Seeing the bigger picture

A long-running survey carried out by thinktank the International Longevity Centre found that those who took financial advice between 2001 and 2007 had significantly higher savings than those who did not. If you're approaching retirement, having a financial MOT now could help you put in place the plans you need to provide effectively for your financial future. 🌿

⁴ The London Institute of Banking & Finance, June 2018

Where we spend our money

The latest figures from the Office for National Statistics show that in 2017, we spent more of our money in shops than we did online, but the growth of online sales is increasing rapidly, going up by 15.9% in comparison with 2016, to £59.8bn.

The sharp rise in online sales means that store closures on the high street are

becoming more common. An average of 16 shops closed every day in 2017, with more than 700 of the closures occurring in the fashion trade. On a brighter note, beauty product stores and food outlets showed the highest increase in net store numbers. 🌟



Over-55s feel the pinch from being the 'Bank of Mum and Dad'



The Bank of Mum and Dad plays a major role in the housing market but providing support could leave them feeling the pinch as they approach retirement.

Recent research⁵ found that 17% of parents felt they either would be, or already are, worse off as a result of providing financial assistance to loved ones. It makes good sense for 'lenders' to seek professional advice to protect their own financial interests too. 🌟

⁵ Legal & General, Aug 2018

It is important to take professional advice before making any decision relating to your personal finances. Information within this newsletter is based on our current understanding of taxation and can be subject to change in future. It does not provide individual tailored investment advice and is for guidance only. Some rules may vary in different parts of the UK; please ask for details. We cannot assume legal liability for any errors or omissions it might contain. Levels and bases of, and reliefs from, taxation are those currently applying or proposed and are subject to change; their value depends on the individual circumstances of the investor.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. If you withdraw from an investment in the early years, you may not get back the full amount you invested. Changes in the rates of exchange may have an adverse effect on the value or price of an investment in sterling terms if it is denominated in a foreign currency. Taxation depends on individual circumstances as well as tax law and HMRC practice which can change.

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