ATTAIN WEALTH MANAGEMENT

WORKING WITH YOU, ACHIEVING YOUR GOALS

DON'T ABANDON PENSION CONTRIBUTIONS **AS PRICES RISE**

SAVERS COULD MISS OUT ON THOUSANDS OF POUNDS IN RETIREMENT

SPOTTING AN INVESTMENT SCAM
How scammers are getting more convincing

INVESTING FOR POSITIVE CHANGE
More investors align investments with personal values

PASSING WEALTH DOWN THROUGH THE GENERATIONS
Millions of retirees help out in cost of living crisis

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INSIDE THIS ISSUE

Welcome to our latest edition. As the cost of living continues to soar, with inflation reaching a 40-year high, the impact on household finances is taking its toll. But it is essential to try to maintain a savings habit even in the current climate. On page 12 we look at the impact breaks in pension contributions could mean to savers by missing out on thousands of pounds in future that will mean less income during retirement.

Around half of UK adults (51%) have or know someone who has received a suspicious communication in the last 12 months, according to new research. Most of these cases can be described as 'phishing scams' (51%), when a fraudster attempts to imitate a legitimate company or person to secure important information from the victim. On page 11 we provide 10 tips to help avoid financial scams.

Over the past few decades, there has been a growing interest and awareness in investing in companies that take into account environmental, social and governance (ESG) factors. This type of investing – also known as sustainable, responsible or impact investing – aims to generate both financial returns and positive social and environmental impacts. Turn to page 26 to read about the origins of ESG investing dating back to the 1960s.

The rise in the cost of living is affecting millions of people. A third of young adults (18-34) and families with young children are struggling financially, according to new research. One striking aspect is the extent to which grandparents are stepping in with thousands of pounds of support and helping grandchildren with housing deposits in addition to everyday expenses. Read the article on page 08.

A full list of the articles featured in this issue appears opposite.

IT ALL STARTS WITH A FINANCIAL PLAN, TO HELP BRING YOUR GOALS TO LIFE

We'll work together to develop wealth-building strategies that focus on what's important to you, your needs and those of your loved ones. We'll guide you through the complexities of building your wealth to help ensure the decisions you make today won't compromise your vision for the future. We hope you enjoy reading this issue.

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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 VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

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More investors align investments with personal values

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BALANCING RISK AND RETURNS

BONDS CAN PLAY A KEY PART IN BUILDING AN INVESTMENT PORTFOLIO

UK government bonds, also known as gilts, are debt securities issued by the UK government. They are used to finance the government's borrowing requirements and are often seen as a safe haven asset by investors.

Gilts are traded on the London Stock Exchange and the payments on gilts are fixed, meaning that they provide a predictable income stream for investors.

FIXED INCOME PORTFOLIO

Investors who place large portions of their portfolio in fixed income investments are usually looking for a regular, secure income stream. They are often retired and reliant on their investments or pension to provide a monthly income.

Gilts are typically issued with maturities of between one month and 30 years. During that lifetime, they usually pay a set amount of annual income – the 'coupon'. They can be held to maturity or sold prior to maturity if the investor needs access to the funds.

SIGNIFICANT GROWTH

The UK government bond market is one of the deepest and most liquid markets in the world. It is also one of the most important financial markets. The size of the UK government bond market has grown significantly in recent years.

The main factors affecting the price of bonds are: Interest rate risk – the direction interest rates are moving; Credit risk – the perceived risk associated with the issuer; Duration risk – the amount of time left before the issuer has to repay the bond holder.

HEIGHTENED VOLATILITY

Shorter-dated bonds – those that will redeem within five years – are less price sensitive to interest rate movements than longer-dated bonds. This means prices tend to move up or down less when interest rates rise or fall.

Following the Mini-Budget and the government's fiscal plan announcements on September 23, the UK government bond market experienced heightened volatility, with the market posting some of its largest daily swings on record.

INTEREST RATE HIKES

As a result, gilt yields rose steeply as investors assimilated the expected £62.4bn increase in gilt sales over 2022/23, and substantially increased their expectations of interest rate hikes from the Bank of England. On the day of the announcement, the ten-year UK government bond yield rose from 3.45% before the Chancellor's statement to end the day at 3.83%, marking its largest one-day move for more than 30 years.

As a result, gilt indices fell 2.6% on the day. The yield subsequently rose above 4.5% before falling back to around 4% by the morning of Friday 30 September. This followed the Bank of England announcing on Wednesday 28 September a large-scale purchase.

EMERGENCY INTERVENTION

The Bank launched its emergency intervention after an unprecedented sell-off in long-dated UK government bonds that threatened to collapse multiple liability driven investment (LDI) funds, widely held by UK pension schemes. On the day the Bank of England stepped up its bond-buying support, the International Monetary Fund stated that a 'change in fiscal policy' would help calm bond markets.

There are some mitigating factors that provide greater context to the market reaction, such as the fact that the Mini-Budget came at a time when global markets were looking fragile, with US bond yields and the US dollar both moving higher for much of September. Still, the relative moves compared to US and European equivalents suggest that there were clearly UK-specific factors at play following the Mini-Budget. ■

SECURING THE FUTURE YOU WANT

Whether you want to grow your wealth for a retirement income or a legacy to pass on to future generations, we can help you set goals and try to achieve them. To find out more and to discuss your options, please contact us.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

WORKING 9 TO 5

MORE OVER-65s ARE STILL WORKING THAN SIX YEARS AGO

More people in the UK aged between 65 and 74 are still working compared to six years ago, new research shows[1]. The findings show there's a marked increase in the number of people over 65 who remain in the workforce compared to 2016, and a fall in the number drawing their State Pension.

At a time of rising cost of living pressures, the data shows fewer people across all age groups eligible to retire have done so compared to six years ago. The greatest shift has been for those aged between 65 and 74. Whereas 92% of this age group were already retired in 2016, only 79% are now.

DISPROPORTIONATELY IMPACTED

This is due to increases in the State Pension age, which was raised from 65 to 66 between December 2018 and October 2020 – and is set to rise further in future. The increase has disproportionately impacted 65 to 74-year-olds, who have been directly affected by this change in the last six years.

In 2016, 96% of people in this age range said the State Pension accounted for some of their income, compared with 71% now. This represents a 25% decrease in the proportion of people in this age bracket receiving part of their income from the State Pension.

ALTERNATIVE SOURCES OF INCOME

As the State Pension Age continues to rise, this age group will need to plan to find alternative sources of income. The research results show the gap is only partially being plugged by people continuing to work for longer.

There has only been a small rise in those saying wages or other earned income constitute a portion of their overall income – 23% versus 18% in 2016. For a fifth of people in this age bracket, an income gap left by State Pension deferral has not been replaced by wages.

RUNNING OUT OF RETIREMENT MONEY

In the UK, the 65 to 74 age group is larger than ever before, according to the 2021 Census statistics[2]. People between those ages now account for almost 19% of the UK population, compared with 16% a decade ago.

For those over 65, money worries about retirement figure more prominently than six years ago. In 2016, only 1% of this cohort said they were worried about running out of money in retirement, while another 1% said they wouldn't have enough money to fulfil plans and dreams such as travelling. Six years on, the proportion has risen substantially to 11% for both.

AMOUNT OF CAPITAL HELD IN PROPERTY

One asset that has grown for this age group, however, is the amount of capital they hold in property. Sixty-five to 74-year-olds have, on average, lived in their current house for 24 years, which means they have benefitted from nearly all the property price increases that have occurred since the late 1990s, when the current property boom began.

In 1998, when this age group typically bought their current house, the average cost of property in the UK was £66,231[3]. The research results show this age group's property is now worth on average £302,000, more than four times the original purchase price.

PLANNING FOR A COMFORTABLE RETIREMENT

Nearly two-thirds of them own their property outright. Typically, those who do have been in tenure six years longer than those with a mortgage.

This suggests people may have accumulated more wealth in this asset than they realise. As cost of living pressures ramp up, the equity in people's homes could become increasingly important when looking at ways to plan for a comfortable retirement. ■

SECURING YOUR FINANCIAL FUTURE

Whether you want to grow your wealth for a retirement income or a legacy to pass on to future generations, we can help you set goals and try to achieve them. To find out more, please get in touch.

Source data:

[1] Aviva Real Retirement Report conducted by ICM Unlimited April 2016. 1,506 general consumers aged 45+ Research conducted by Censuswide April 2022.

[2] 2021 National Census figures released by ONS

[3] HMLR's UK House Price Index. www.gov.uk/government/collections/uk-house-price-index-reports

HOW TO MAXIMISE THE VALUE OF **PENSION SAVINGS**

MISTAKES TO AVOID WHEN YOU'RE AIMING TO BUILD YOUR PENSION POT

Many people are feeling the pressure on their finances at the moment due to the backdrop of rising inflation and the cost of living soaring. In these circumstances, it can be difficult to think about your long-term finances or even contemplate saving for the future.

/// YOU MIGHT NOT WANT TO TALK ABOUT YOUR PENSION PLAN EVERY DAY, BUT DISMISSING PENSIONS AS BORING IS A MISTAKE, AND ONE THAT BECOMES INCREASINGLY SERIOUS OVER TIME.

However, even in the current climate there are ways to maximise the value of any pension savings you do have. By sidestepping seven common mistakes, you could take your pension planning to another level and reduce the risk of falling short of money later.

SIMPLE RULES TO FOLLOW WHEN RETIREMENT PLANNING AND MISTAKES TO AVOID

DON'T TURN DOWN MONEY FROM YOUR EMPLOYER

When offered the opportunity to join a workplace pension, it's nearly always a good idea to do so. For most people, your employer must automatically enrol you in a workplace pension scheme, and you may even be offered a pension plan if you don't meet the criteria.

Workplace pension schemes are made up of your own payments (5% or more of earnings), which are deducted from your salary, in some cases before you pay tax, making it easier to save, and your employer's contribution, which at the very least, must be equivalent to 3% of your qualifying earnings. Many employers offer more than this or match any extra payments you make, so it's worth checking if you're getting the most out of this valuable benefit.

DON'T SAY 'NO' TO EXTRA MONEY FROM THE GOVERNMENT

Anyone who decides against investing in a workplace or personal pension also turns down help from the government. That's because in order to encourage people to save for retirement, the government provides a top-up called 'tax relief' to pension payments. How you receive this tax relief depends on the type of plan you have and the rate of income tax you pay.

But as an example, if you're a basic rate taxpayer saving into a personal pension in the current tax year, you receive 20% tax relief on your payments. So, if you pay £200 a month into your pension plan, the £40 of tax relief you receive on that payment means it will only cost you £160. Higher rate or additional rate taxpayers could claim back even more.

Some workplace pension schemes offer tax relief in a different way, such as through salary sacrifice or exchange schemes, so check with your employer if you're not sure how this works for you. And in Scotland, the tax relief details differ slightly. But in all these cases, the general point is the same: each time you defer paying into a pension plan, you miss out on an extra boost.

DON'T EXPECT THE STATE PENSION TO COVER EVERYTHING

Another common mistake is to assume that the State Pension will meet your retirement needs. However, it's important to know that the State Pension won't be available until your late 60s and may not cover all of your outgoings.

Currently, pensioners who are entitled to the full new single-tier State Pension receive £185.15 a week in 2022/23, worth £9,627.80 for the year. But remember that what you get depends on your National Insurance record, so you could get less.

Pensioners that reached State Pension age before April 2016 and receive the basic State Pension get £141.85 a week, or £7,376.20 a year.

DON'T LOSE TRACK OF YOUR PENSION PLANS

It has never been more important to keep track of all your old pension plans. You are at most risk of having lost track of a pension if you have changed jobs multiple times, moved home often and not updated your pension providers or opted out of SERPS (the State Earnings-Related Pension Scheme) in 1980s or 1990s.

DON'T ASSUME THAT THE MINIMUM IS ENOUGH

Auto-enrolment has boosted the pension savings of millions of people but the 8% minimum payment may not get you the retirement lifestyle you want. It's important to therefore have a retirement lifestyle in mind. We can discuss with you how much money you could have in your pension pot in the future, so you can ensure that you don't find yourself in a situation whereby you have an income shortfall.

DON'T LEAVE YOUR PENSION POT UNLOVED OR NEGLECTED

You might not want to talk about your pension plan every day, but dismissing pensions as boring is a mistake, and one that becomes increasingly serious over time. While this might be difficult at the moment, steps such as topping up your payments, especially in your 20s, 30s or early 40s, can make a large difference, thanks to the snowball effect of compounding.

Knowing whether it's workplace or private, understanding how to get more 'free' payments from your employer or the government, or using it to pay less tax (such as through bonus sacrifice) could make a major difference to your long-term finances.

DON'T SUPPOSE THAT ONE PENSION PLAN IS THE SAME AS ANOTHER

A related mistake is not knowing where your pension pot is invested, whether that matches your life-stage and priorities or how to choose the right investment options. For example, if your retirement is still some years ahead, you could potentially afford to take a little more risk. Conversely, you may want to dial down the risk as you get nearer to retirement.. ■

IT ALL STARTS WITH A FINANCIAL PLAN, TO HELP BRING YOUR GOALS TO LIFE

Do you have a dream retirement in your head? Are you on track to make it a reality? To find out more about how we can turn your dreams into reality, please contact us for more information.

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THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

PASSING WEALTH DOWN **THROUGH THE GENERATIONS**

MILLIONS OF RETIREES HELP OUT IN COST OF LIVING CRISIS

The rise in the cost of living is affecting millions of people. A third of young adults (18-34) and families with young children are struggling financially. Many are turning to family and friends for help with day-to-day expenses such as utility bills, housing costs and childcare, according to new research[1].

/// IT'S UNDERSTANDABLE WHY GRANDPARENTS WANT TO HELP THEIR FAMILY AND PASS WEALTH DOWN THROUGH THE GENERATIONS. WHEN DOING THIS, THERE ARE A NUMBER OF OPTIONS AVAILABLE, EACH WITH DIFFERENT ADVANTAGES AND DISADVANTAGES.

One striking aspect is the extent to which grandparents are stepping in with thousands of pounds of support and helping grandchildren with housing deposits in addition to everyday expenses.

OPTIONS AVAILABLE

It's understandable why grandparents want to help their family and pass wealth down through the generations. When doing this, there are a number of options available, each with different advantages and disadvantages.

Gifting money early can reduce Inheritance Tax liabilities and a grandparent can gift up to £3,000 a year without being added to the value of their estate. Currently, a couple could therefore gift £6,000 a year. If some or all of it was invested in a pension it would receive tax relief.

GIFTING MONEY

Grandparents interested in helping a grandchild save for a house could also consider saving into a Lifetime ISA (LISA). Only the child/grandchild, as the account holder, can open and manage their LISA but it's possible to gift money to an account holder to pay into their LISA.

Those helping grandchildren, the research highlighted, gave £15,000 on average, while 10% gave over £50,000. The main reasons grandparents helped out grandchildren financially were to help with day-to-day costs (43%) and help with bills (37%). One in four (24%) grandparents gave money to help their grandchildren buy a house.

SAVING FOR A CHILD OR GRANDCHILD

Parents and grandparents have several options when saving for a child or grandchild. Choosing the right one can make a big difference.

CONTRIBUTING TO A PENSION

Although most people won't set up a pension until they reach working age, a Junior Self-Invested Personal Pension (SIPP) can be started as soon as someone is born. In addition, any contributions made by a parent or grandparent, which can be made directly to the plan as 'third-party contributions', will be treated for tax relief purposes as if they were made by the beneficiary themselves.

This means that contributions paid to a 'relief at source' scheme will currently receive tax relief of 20% (£20 for every £80 net contribution) as long as the gross contributions do not exceed the beneficiary's relevant UK earnings for the tax year or £3,600 if more.

In addition, where a beneficiary has paid Income Tax at a higher rate, they will be able to claim the difference directly from HM Revenue & Customs through self-assessment, so a further 20% for a higher rate (40%) tax payer on some or all of the contributions.

Although a child under the age of 18 is unlikely to have relevant UK earnings, total contributions up to the 'basic amount' of £2,880 net (£3,600 gross) can be made each year and will still benefit from tax relief.

Pension contributions can be one of the more tax-efficient ways to gift money to a child or grandchild, but the money is likely to be inaccessible until they reach age 57 (normal minimum pension age is rising from 55 to 57 in April 2028).

LIFETIME ISAS (LISAS)

If the child or grandchild is aged between 18 to 40, helping them save into a lifetime ISA (LISA) can be beneficial, especially if they are trying to raise a deposit for a first home. This is because the government will add a 25% bonus to subscriptions of up to £4,000 a year (i.e. £20 for every £80 subscribed).

However, if withdrawals are made for any purpose other than purchasing a first home, a tax penalty of 25% (i.e. £25 on a withdrawal of £100) will apply unless the individual is terminally ill or aged 60 or above. Since the tax penalty exceeds the initial bonus, it is normally not the most tax-efficient investment if the penalty is likely to be incurred.

Only the child or grandchild, as the account holder, can open and manage their LISA but it's possible to gift money to an account holder to pay into their LISA.

TRUSTS

For those who want more control over how money is spent, setting up a trust can help ensure any investment is used appropriately. There are a wide variety of trusts that can be used to meet individual requirements. ■

WANT TO DISCUSS HOW TO INVEST FOR YOUR CHILDREN OR GRANDCHILDREN?

All parents and grandparents want to give their children or grandchildren the best possible start in life. When it comes to investing for a child's future, putting aside just a small amount of money on a regular basis can really add up. So, are you ready to start saving? To find out more, please get in touch.

Source data:

[1] Research from LV= highlights how millions of people have helped friends and family financially in the past six months. The LV= Wealth and Wellbeing Monitor – a quarterly survey of 4,000 UK adults – reveals that many people struggling with everyday living costs are turning to family and friends for support 23/08/22.

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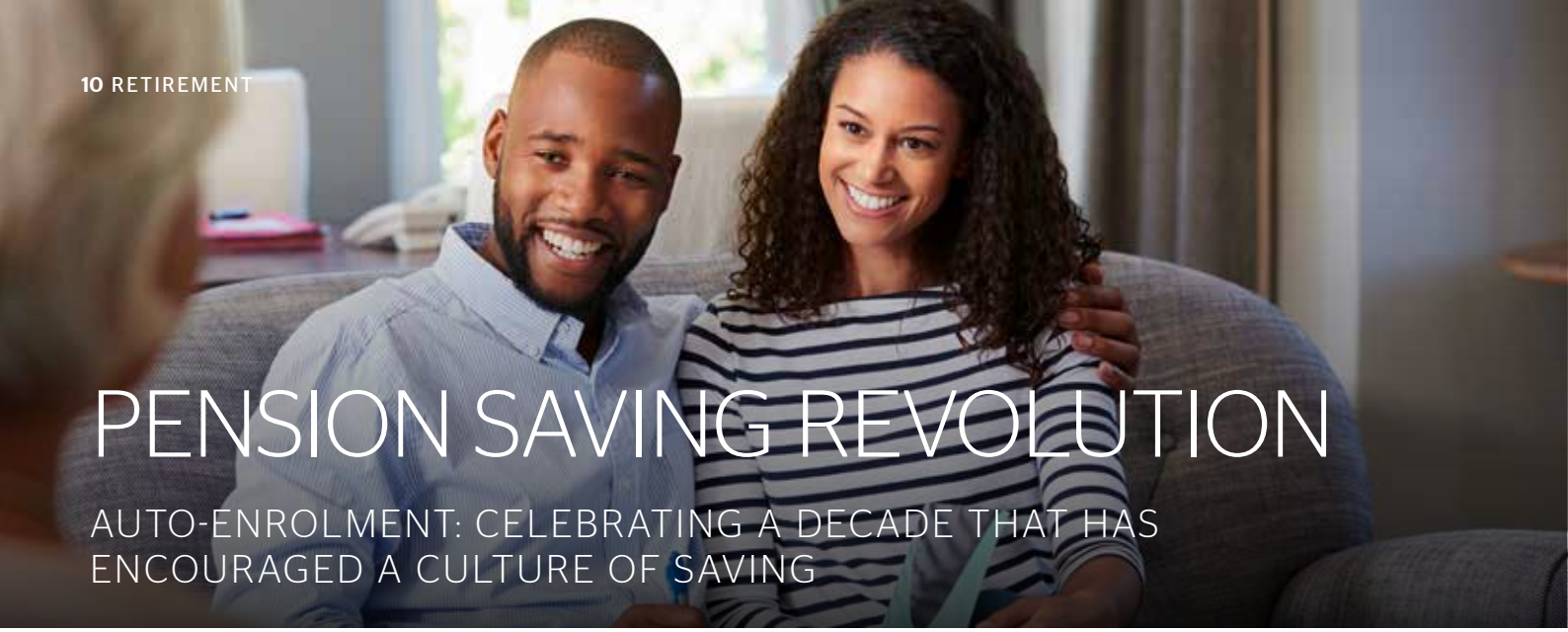
THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAXATION AND TRUST ADVICE. TRUSTS ARE A HIGHLY COMPLEX AREA OF FINANCIAL PLANNING.



PENSION SAVING REVOLUTION

AUTO-ENROLMENT: CELEBRATING A DECADE THAT HAS ENCOURAGED A CULTURE OF SAVING

Since it was introduced ten years ago, auto-enrolment has revolutionised pension saving for millions of people in the UK, encouraging a culture of saving for the long term. It's been a positive initiative and, crucially, individuals now have to take more responsibility for their retirement savings.

This has meant many people now put some money away each month for retirement. In April 2021, the UK workplace pension participation rate was 79%, compared to 47% in 2012 when auto-enrolment was introduced, according to new research[1].

SIGNIFICANT GAPS

All employers must provide a workplace pension scheme and automatically enrol employees into a pension scheme and make contributions to their pension if they are classed as a 'worker', are aged between 22 and State Pension age, earn at least £10,000 per year and they usually ('ordinarily') work in the UK.

However, significant gaps remain in pension awareness and engagement, with female and lower income workers disproportionately less likely to review their pension. The research highlights overall, almost one in five UK workers have never reviewed their pension.

PENSION SAVINGS

This rises to a quarter (25%) of female workers, compared to only 13% of males who have never reviewed their pension. Those with lower incomes are also more likely never to have undertaken a review of their pension savings, with 34% of those with an income between £10k and £20k, and 21% of those with an income between £20k and £30k saying they have never checked their pension. This drops to 15% among those earning between £30k and £40k, and 14% among those earning between £40k and £50k.

The research showed that the majority (58%) of workers could define what an auto-enrolment pension is, correctly selecting 'Employers offer a workplace pension scheme and automatically enrol eligible workers in it.' However, 23% incorrectly defined it, while a fifth (19%) admitted that they simply do not know what an auto-enrolment pension is.

KEY TRIGGERS

For those who do review their pension, the main prompt for doing so is receiving their annual statement (28%) – rising to 37% among 35 to 54-year-olds, compared to 18% among 18 to 34-year-olds and 28% among those aged 55 and over.

Other key triggers include receiving communication from their pension provider (19%), receiving their monthly pay (16%), changing jobs (12%) and getting a promotion or pay rise (11%). The younger demographic (aged 18 to 34) are most likely to be prompted to review by receiving their monthly pay (24%), changing jobs (19%) and receiving a pay rise (19%).

KEY BENEFITS OF BEING AUTO-ENROLLED

Regular savings habit – When you have a workplace pension plan in place, it's easy to stay in the habit of saving because payments usually come straight from your salary. You don't have to sort any of this out yourself either, as when you join a company you're automatically put into the pension scheme, so it's really easy to save this way.

Employer contributions – With a workplace pension scheme, your employer has to contribute a minimum of 3% of your qualifying earnings towards your future too. Some employers will pay more than the minimum and others will pay more into your pot if you do – known as matching. If you don't remain in the scheme, then you will miss out on these contributions.

Tax relief – Most people will receive tax relief from the government when they pay into a pension, and this is one of the major benefits of the scheme. Individuals usually currently receive at least 20% tax relief from the UK Government on their pension payments, meaning it will only cost you £80 to have £100 invested into your pension plan. Most people are entitled to claim tax relief on the pension payments they make based on up to the highest rate of income tax they pay. This means the benefits are usually even more for higher or additional rate taxpayers.

Option to pay in more – You can pay in more than the minimum amount required to your pension, and if you can afford to do so, this can be beneficial in the long term. Topping up your payments means the impact of compound interest is much more significant and can result in a much larger retirement pot. ■

WANT TO DISCUSS PLANNING FOR YOUR RETIREMENT?

We all want to enjoy life after we stop working. Whether you want to see more of the world or spend more quality time with your family. Whether it's just around the corner or feels like a long time in the future. Planning for your retirement can make all the difference. To find out more, please contact us.

Source data:

[1] Research conducted for Standard Life by Opinium, among 2,000 UK adults between 2-6 September 2022. All results are weighted to nationally representative criteria.

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SPOTTING AN INVESTMENT SCAM

HOW SCAMMERS ARE GETTING MORE CONVINCING

Around half of UK adults (51%) have or know someone who has received a suspicious communication in the last 12 months, according to new research[1]. This equates to 27 million people across the UK.

Most of these cases can be described as 'phishing scams' (51%), when a fraudster attempts to imitate a legitimate company or person to secure important information from the victim.

PENSION TRANSFERS

Crypto scams are also becoming worryingly common, with one in five reporting they or someone they know has received one in the last 12 months.

Pension transfer scam communications account for almost one in ten (8%) of contacts, while romance scams or dating scams are similar at 11%.

SCAMMER APPROACHES

Around a fifth (21%) of those who have or know someone who has been contacted say they have lost money because of approaches by scammers. However, among 18 to 34-year-olds, this increases to almost half (46%).

The average loss to scams for themselves/someone they know was around £207, with this amount almost doubling to £361 for those aged 18 to 34 years old, compared to £112 for those aged 55+.

PERFECT OPPORTUNITY

With many families struggling to make ends meet, and as the cost of living squeeze tightens, offering easy access to your pension might seem the perfect opportunity to dig yourself out of trouble. The reality is you can't access your pension savings before the age of 55, so it's very likely it will be scammers.

Follow the simple rule of thumb: if it appears too good to be true, it inevitably is. Simply walk away, hang up or delete the email or text to keep your money safe from the scammers.

- 51% of UK adults – 27million people – have received or know someone who has received a suspicious communication in the last 12 months
- Younger people are more likely to know someone who has lost money, and are aware of someone losing more than older generations
- Almost one in ten (8%) communications relate to pension transfers

10 TIPS TO HELP IDENTIFY AND AVOID FINANCIAL SCAMS

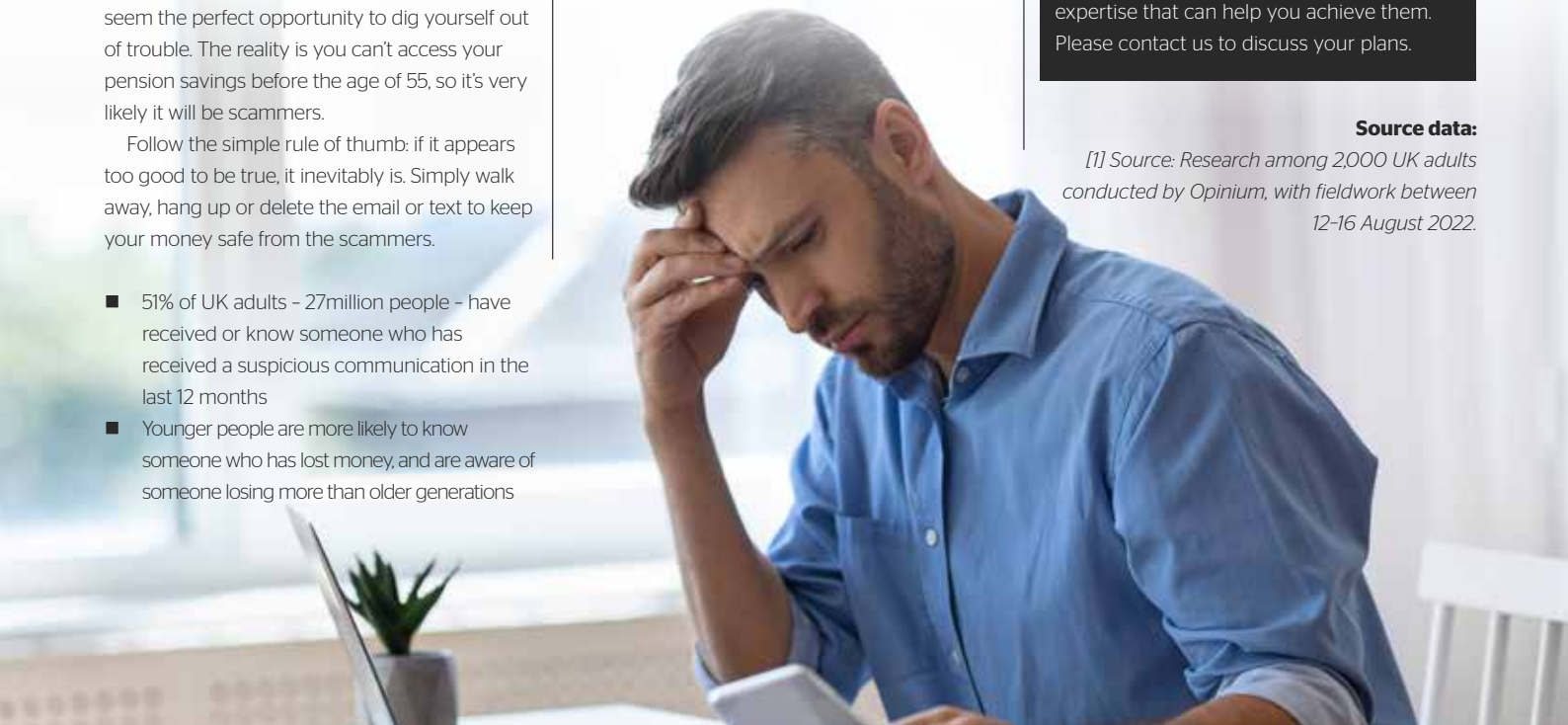
1. If you receive an offer to help you access your pension savings before age 55, for example, through 'pension loans' and 'free pension reviews'. It is only possible to access your pension before age 55 in rare situations, for example, if you are very ill.
2. Warnings that the deal is limited and you must act now. This is a pressure tactic and making any financial decisions should not be done under pressure.
3. HM Revenue & Customs (HMRC) will never contact you by email, phone or text informing you of a tax refund, so simply delete or ignore any contact made this way – HMRC will only contact you via post.
4. You are discouraged from seeking professional financial advice or talking to Pension Wise.
5. Sign up for Action Fraud Alert, a free service provided by the National Fraud Intelligence Bureau. The service alerts about new types of crime or those which are increasing in their severity. If you sign up, you will receive those alerts which are relevant to you. **https://www.actionfraud.police.uk/sign-up-for-action-fraud-alert**
6. Contact by somebody who is not on the Financial Conduct Authority (FCA) Register. The Register is a public record of all the regulated firms and individuals in the financial services industry, including pension providers and investment companies **https://register.fca.org.uk/**
7. Be very cautious around any recommendation to take a large amount of money, or your whole pension pot, in a lump sum and invest it elsewhere, for example, in overseas property, forestry, car parking or storage units. And be very wary of unsolicited offers of 'amazing investment returns'.
8. Seek advice from your professional financial adviser who will be able to explain the rules and tax implications of different options and help you make the best choices for your personal circumstances, so be very suspicious if this is discouraged.
9. There can be significant tax implications if you choose to cash in your pension in one go, so check the tax position before you make any decisions.
10. Check **www.fca.org.uk/scamsmart** for known scams and use the tools to help identify a potential scam.

LOOKING FOR FINANCIAL ADVICE?

We know you'll have different priorities for your wealth at different points in your life. Whatever your financial aims, we have the expertise that can help you achieve them. Please contact us to discuss your plans.

Source data:

[1] Source: Research among 2,000 UK adults conducted by Opinium, with fieldwork between 12-16 August 2022.



DON'T ABANDON PENSION CONTRIBUTIONS AS PRICES RISE

SAVERS COULD MISS OUT ON THOUSANDS OF POUNDS IN RETIREMENT

As the cost of living continues to soar, with inflation reaching a 40-year high, the impact on household finances is taking its toll. But it is essential to try to maintain a savings habit even in the current climate. The impact of any breaks in pension contributions could mean savers miss out on thousands of pounds in future that will mean less income during retirement.

Research has highlighted that reducing or stopping pension contributions, even for a relatively short period of time, can have a significant impact on the final pot, with savers potentially being thousands of pounds less well off in retirement as a result[1].

HAVING AN EVEN BIGGER IMPACT

For example, someone who began working with a salary of £25,000 per year and paid the standard monthly auto-enrolment contributions (3% employer, 5% employee) from age of 22, would have a total retirement fund of £456,893 at the age of 68.

However, stopping pension contributions at the age of 35 for just one year, would result in a total pot of £444,129 – almost £13,000 less than if they had not stopped paying in. Stopping contributions for a longer period would have an even bigger impact.

RISK OF SACRIFICING SAVINGS TO COVER EVERYDAY EXPENSES

While currently relatively low, the risk of sacrificing savings to cover everyday expenses continues as long as these challenging circumstances go on. Almost all (93%) say that increasing costs and high inflation are going to impact, or are already impacting, their financial situation.

If possible, the first port of call should be to reduce spending, for example, cutting back on unnecessary purchases and shopping around for better value deals. Doing this, rather than making decisions that will affect future finances such as reducing or stopping pension contributions, even if for a short period only, will be beneficial in the long term.

TIPS FOR POTENTIAL SPENDING CUTBACKS IN THE CURRENT ENVIRONMENT

1. Review your expenditure for potential areas of savings – By looking through your monthly outgoings, you may find there are ways to make savings. Do you have any subscriptions or memberships that you no longer use and could cancel or pause? Do you spend a lot of money on things that are a luxury, such as takeaways? Taking some of these small steps could make a difference.

2. Shop around for better deals – You may be able to switch household providers and find cheaper deals, such as for broadband or your mobile phone. Many providers have package deals for new customers so it's worth using a price comparison website to see if there are savings to be had.

3. Set budgets – To help you keep an eye on your outgoings, it is a good idea to set a budget for things like food shopping and socialising so you don't spend more than your means. ■

HELPING YOU ACHIEVE YOUR GOALS

We can help you achieve the financial future you want for you and your family. If you would like to review your current plans, to meet your financial goals now and in later life, please contact us.

Source data:

[1] Research conducted among a sample of c.2,600 contactable Standard Life customers between 9-22 May 2022. Calculations are intended for the sole purpose of providing an illustration regarding the projection of savings and pensions. They should not be used with the intention to give an accurate representation of real world outcomes.

PENSIONERS' INCOMES

WHAT IS THE AVERAGE UK RETIREMENT INCOME?

Thinking about the amount of money you need to retire can be daunting, but it's important to have a savings target in mind to fit your desired lifestyle in retirement, that you can work towards.

New analysis of government figures[1] highlights that the average retired UK couple has a pension income worth £284 per week, made up of both occupational and private pension income and excluding State Pension income.

For those approaching retirement who have a similar weekly income target in mind, to buy a 'level' annuity which would guarantee this income for life, but might not maintain purchasing power for future years, they would need to have amassed £267,000 in retirement savings.

INCOME FOR LIFE

Meanwhile, the top fifth of pensioner couples have pension incomes of £704 per week, requiring a savings pot of £660,000 to secure the same type of annuity and guarantee their income for life. To buy an 'index-linked' annuity, which increases income in line with inflation, the required pot is considerably larger; however, this provides an income that is more likely to keep up with cost increases.

The analysis comes as annuity rates are, however, rising. Rates are estimated to have improved by 25%[2] since the start of the year, meaning that savers can generate larger incomes from their savings.

INFLATIONARY ENVIRONMENT

The analysis also found that over the last ten years, the average income of retired couples has increased by around 7% in real terms, with the richest fifth increasing by 4%, compared to 7% for the least well-off pensioners.

It is encouraging that over the past ten years pensioners' incomes have increased in real terms. However, in the current environment with inflation having recently reached double figures, there is an increased challenge of making money last.

So, even while we are in a challenging situation that can lead to a focus purely on short-term finances, if you're able to continue paying attention to your long-term pension savings, it will be extremely worthwhile by the time you come to retire.

HOW TO MAKE YOUR SAVINGS WORK HARDER DURING THIS INFLATIONARY PERIOD

Revisit your financial goals – As you start to notice the effects of increased prices, you might find that your current financial goals could take longer to reach than originally planned, or they might need to be adjusted. So now could be a prime time to revisit your plans and consider if they need to change.

Have a Direct Debit detox – Many of us sign up to memberships and subscriptions that we could probably live without, so have a think about whether you could cancel them or shop around for a better deal. You might be surprised at how much money you could save.

Prioritise your spending – It's worth seeing if you can put off purchases you'd planned for a while longer. If it's not essential, you might be better waiting until you're confident that making that purchase now won't impact your standard of living. However, if you've been thinking about making a big purchase, such as a car or a required home improvement, and you have the money to do so, you might find you'd be better off going ahead now rather than waiting until later when prices could be even higher and the pound in your pocket is worth less, saving you money in the long run.

Try to clear any outstanding debt – When inflation rises, interest rates are generally increased to help control the economy. If you have any variable rate debt, you might find that your regular payments go up as a result. So, it's best to review debt arrangements as a priority, making sure you are reducing interest being paid as much as possible.

Make the most of tax-efficient savings and consider making investments – It's worth bearing in mind that you receive tax benefits on pension payments, effectively meaning it costs less to save more into a pension plan.

So even if you're focused on short-term finances at the moment, it's important to continue contributing to your pension: time in market is one of the most important factors in investing, and if you choose to stop contributing you could miss out on valuable contributions from your employer. Although remember that you can't access your pension savings until you're aged 55 (rising to 57 in 2028 unless you already have a plan with a protected pension age).

If you want to access your money before age 55, while giving your savings the opportunity to grow in line with inflation (and, importantly, stand a chance of beating it), it's advisable to invest over the medium to long term, which is generally five years or more. Stocks & Shares ISAs are a tax-efficient way to save for medium or long-term goals without having to tie up your money.

Or you could consider a Cash ISA for shorter-term goals like rainy day funds – but, of course, be mindful of the impact of inflation on the value of these. ■

ARE YOU ON TRACK FOR A SECURE FINANCIAL FUTURE?

Start talking to us today about your future retirement plan and we can help you make sure it's a resilient one. We understand that your goals, aspirations and dreams are unique to you and we'd love to discuss how we could help. We look forward to hearing from you.

Source data:

[1] According to Pensioner Income Series Data – https://www.gov.uk/government/statistics/pensioners-incomes-series-financial-year-2020-to-2021/pensioners-incomes-series-financial-year-2020-to-2021

[2] Figure is based on Standard Life internal analysis of market annuity rates as at July 2022

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

DOING THE RIGHT THING **FOR THE PLANET**

FOUR IN FIVE LOOKING TO CHANGE JOBS DEMAND GREEN PENSIONS

When you first start paying into your employer's pension, your contributions, along with employer contributions and tax relief, will be invested through a default fund. You will usually have several fund options to choose from.

/// DESPITE THIS SIZEABLE EMPLOYEE DEMAND, ONLY A QUARTER (25%) OF EMPLOYERS CLAIM TO BE KNOWLEDGEABLE ABOUT GREEN PENSIONS. MORE THAN A THIRD (37%) OF EMPLOYERS CLAIM TO NOT KNOW ANYTHING ABOUT THEM OR HAVE NEVER HEARD OF THEM.

Increasingly, new research has identified that people are choosing to work for employers that provide 'green pensions'[1]. Today's workers expect employers to show true leadership and offer pensions which are invested responsibly.

INVESTMENTS IN HIGH ESG-RISK SECTORS

Demonstrating a genuine commitment to environmental, social, and governance (ESG) priorities is not only the right thing to do for the planet, it could also be a game changer for attracting and retaining the best talent. Business leaders have a real opportunity to show staff that they are serious about doing the right thing.

Many companies remain unaware of how their current employee pension schemes can undermine the progress they are making to develop more sustainable operations, primarily due to sizeable investments in high ESG-risk sectors such as coal, oil sands and tobacco.

ONE OF THE TOP FOUR BENEFITS

The data reveals the views of employees and employers relating to sustainable workplace policies and individual practices. Across the UK workforce, eight out of ten employees (83%) view climate change as an important issue – expecting their employer to take an active stance on ESG issues and implement sustainable workplace practices.

One quarter (24%) of employees cited support for more sustainable personal finances – including green pensions – as one of the top four benefits that they expect from a new employer, alongside flexible working (48%), cost of living support (39%) and an attractive holiday package (34%).

MORE SUSTAINABLE PENSIONS

72% of workers said that it was important their employer invests their savings sustainably, as part of their organisation's overall stance on critical environmental and social issues. With a third (32%) of workers currently seeking new employment – and a further quarter (24%) planning to apply for new jobs in the next year – the data suggests that the provision of more sustainable pensions may provide a new way for employers to attract and retain talent.

Despite this sizeable employee demand, only a quarter (25%) of employers claim to be knowledgeable about green pensions. More than a third (37%) of employers claim to not know anything about them or have never heard of them.

SOCIAL AND GOVERNANCE OUTCOMES

In fact, nearly half of employers (43%) identified a green pension as a fund that avoids investments in highly polluting industries, such as oil or thermal coal projects. But only a fifth of employers (22%) acknowledged the social and governance outcomes, such as the equitable treatment of workers or promotion of gender and racial diversity on corporate boards (17%).

With over a third (34%) of employers admitting they don't currently offer a sustainable pension scheme to their employees, there is a significant commitment gap on implementing workplace policies that positively impact ESG issues. ■

ARE YOU PLANNING FOR THE RETIREMENT YOU DESERVE?

When it comes to retirement, you deserve the chance to enjoy the freedom it brings without having to worry about money. To make sure your retirement plans are on track, or to discuss your options if you're just getting started, please get in touch.

Source data:

[1] Make My Money Matter, FTSE100 Research, September 2022

LEAVING A TAX-EFFICIENT LEGACY

CONSIDERING THE RULE OF SEVEN WHEN MAKING FINANCIAL GIFTS

You've worked to build up your wealth. But now it's time to make plans so your loved ones can get the most from the estate you intend to leave behind. If you think you might be affected by Inheritance Tax, it can be tempting to hold off making plans to do anything about it. But the truth is that it's better to plan earlier for Inheritance Tax.

Estate planning is an essential element of preparing your finances for when you are no longer around but want to make sure that as much of your estate as possible is exempt from Inheritance Tax. Current thresholds are frozen until at least 2026, so it's likely more estates could trigger a 40% Inheritance Tax bill over the coming years.

INHERITANCE TAX PLANNING OPTIONS

On your death, the first £325,000 nil-rate band (2022/23) of your estate is exempt from the 40% Inheritance Tax. However, you can also make financial gifts that will reduce the value of your estate when you die. For those who have accumulated a reasonable amount of wealth and who have children, the seven-year rule can be taken full advantage of.

This is one of the most popular, and cost-effective, Inheritance Tax planning options relating to gifting some of your wealth to loved ones before you die. The idea being that the people who matter to you most could start to benefit from some form of inheritance earlier.

GIFT REDUCES EACH YEAR

It also reduces the value of your estate. Meaning, when it's assessed for Inheritance Tax, your potential liability could prove lower. Or, even better, you don't have one at all. In order for bigger financial gifts to be fully exempt from Inheritance Tax, you need to live for at least seven more years.

If you die within seven years of making the gift, it is still considered part of your estate and it will be included in your Inheritance Tax assessment.

If you die between three and seven years, you would still have to pay some tax on the gift if it exceeded the available nil-rate band. The amount payable on the gift reduces each year once you have survived the gift by over three years. Only after seven years is the full gift no longer part of your estate for Inheritance Tax purposes.

There are many ways you might be able to reduce (or even eliminate) a potential liability. But the longer you wait, the more expensive some of these options might prove.

It goes without saying that none of us knows when our time will come. That's why it can really help to start making plans now. Doing so could help you maximise the amount of inheritance you leave to loved ones. ■

Period of years before death	% Reduction (Taper Relief)
0 - 3 years	Nil
3 - 4 years	20%
4 - 5 years	40%
5 - 6 years	60%
6 - 7 years	80%
More than 7 years	No tax

WANT TO START A CONVERSATION?

Making financial gifts to your loved ones could make a big difference to their financial security and wellbeing. It could also be more effective for Inheritance Tax planning purposes to gift money while you're still alive than to pass it on through your Will when you die. To find out more, please contact us for more information.

INHERITANCE TAX PLANNING IS A HIGHLY COMPLEX AREA OF FINANCIAL PLANNING.

INFORMATION PROVIDED AND ANY OPINIONS EXPRESSED ARE FOR GENERAL GUIDANCE ONLY AND NOT PERSONAL TO YOUR CIRCUMSTANCES, NOR ARE INTENDED TO PROVIDE SPECIFIC ADVICE.

PROFESSIONAL FINANCIAL ADVICE SHOULD BE OBTAINED BEFORE TAKING ANY ACTION.

SHRINKING **SAFETY NETS**

MORE PEOPLE SET TO DIP INTO EMERGENCY FUNDS

Having money set aside can help to provide protection against any abrupt financial changes. A new report has identified one in four working households with savings (28%) have started dipping into them to meet rising living costs[1]. A further 30% anticipate they will need to do so in the next year.

Of those without an emergency fund, the most common reason for not having one was due to wages barely covering the cost of living, and therefore being unable to afford to save.

MONEY TUCKED AWAY

With consumer prices higher than the year before, and with annual household energy costs set to rise, many households will likely have to rely even more on the money they have tucked away. This could see household savings built up during the pandemic reduced.

The report highlighted the average working household currently has £2,400 in savings. However, this equates to less than a month of basic expenditure for the average family if they lost their income and were pushed to rely on their savings.

CURRENT SAVINGS PATTERNS

To feel financially secure, households estimate they need £12,100, or nearly five months' worth of basic household expenses, set aside. However, only three in ten working households (30%) have this set aside, and pressure to dip into savings will likely see this number fall.

Based on current savings patterns, with the average working household saving just over £300 a month, it would take three years to reach the desired financial safety net, and nine years to put aside a year's worth of essential spending.

INCREASED LIVING COSTS

However, two-thirds (64%) of all households that currently save have either already decreased or stopped their savings habit altogether (31%), or expect to have to do so (34%), due to increased living costs.

There are also a growing number of people who cannot put aside any money; nearly 1.9 million households have no money left at the end of the month, an increase of 330,000 since 2020. This is likely why 16% of households have no savings at all in case of emergency.

DIPPING INTO SAVINGS

With the cost of basic essentials on the rise, many households will find themselves having to make difficult choices and dipping into savings is likely to become more common. This is a far cry from the five-month financial safety net that people hope for.

It can be concerning for people to feel that they have nothing to fall back on in times of difficulty. While dipping into savings is inevitable for some, there are also steps people can take to try to control their costs as much as possible by checking their regular outgoings and subscriptions, and shopping around for discounts and deals. ■

IT'S GOOD TO TALK

If you are considering dipping into your savings, it might be necessary, but there may be options which have been overlooked. Getting guidance to avoid eating away at your hard-earned savings is essential. If you require any guidance, to find out more, please contact us.

Source data:

[1] Online survey among 5,021 UK consumers using Savanta's proprietary consumer panel between the 28 June and 5 July 2022. The survey covered employed and self-employed consumers aged 18 to 65 only, approximately nationally representative but ensuring a minimum sample in every region of the country. This extrapolates to approximately 31.228 million adults in the UK. Results were re-weighted to represent the UK population in terms of age/gender, region and employment status. All averages that are shown are median values. References to income refer to household income. Basic expenses are housing costs, loans/ credit card repayments, utility bills and food

INCREASING FINANCIAL SUPPORT **FOR MILLENNIALS**

COST OF LIVING CRISIS DRIVES EARLY INHERITANCE GIFTING

The rising cost of living is cutting into even the most resilient saving pots and salaries, forcing many to re-consider their financial priorities, whatever their generation or income.

/// MORE THAN THREE IN FOUR (76%) 40-YEAR-OLDS HAVE ALREADY RECEIVED SOME FORM OF INHERITANCE FROM THEIR PARENTS, WITH THE MAJORITY PUTTING THIS TO USE IN SAVINGS AND INVESTMENTS (30%), SETTING UP THEIR OWN BUSINESS (20%) OR BUYING THEIR FIRST PROPERTY (18%).

Those millennials now turning 40 are facing very different challenges to when their parents were the same age; however, there is equal pressure on parents to step in and support where they can without eating into their own retirement funds.

HELP WITH LIVING COSTS

New research shows the impact of rising living costs on inheritance and retirement planning. Over a third of parents to 40-year-old millennials think they will need to give inheritance support to their children this year to help with immediate living costs[1].

After previously spending inheritance on property and starting a business, nearly all (94%) 40-year-old millennials would use any inheritance received now to help with living costs. As the eldest millennials turn 40 years old, the research shows parents are considering gifting them their inheritance early to increase support for living costs this year.

FURTHER RISING INFLATION

With the Bank of England's warning of further rising inflation, over a third (37%) of parents of 40-year-old millennials now anticipate gifting their inheritance this year to help their children more with immediate living costs, as opposed to bigger purchases like property.

The research also highlighted that almost two in five (38%) parents also expect to be more flexible in their support across the rest of this year, giving money early when needed rather than planning ahead.

SAVINGS AND INVESTMENTS

More than three in four (76%) 40-year-olds have already received some form of inheritance from their parents, with the majority putting this to use in savings and investments (30%), setting up their own business (20%) or buying their first property (18%).

However, if they were to receive that same inheritance this year, nearly all (94%) said they would use more of it on living costs – including bills, daily travel, food, clothing and healthcare. Of these, nine in ten (92%) earn £55,000 and over.

INCREASING FINANCIAL SUPPORT

For those 40-year-olds who are set to receive an inheritance in the future, using the funds on living expenses (18%) comes second only to putting this into savings and investments (31%), showing the impact of the cost of living on financial priorities.

This research on parents of 40-year-old millennials showed that despite the cost of living and rising inflation, the majority (85%) are confident they will have enough to support their whole retirement.

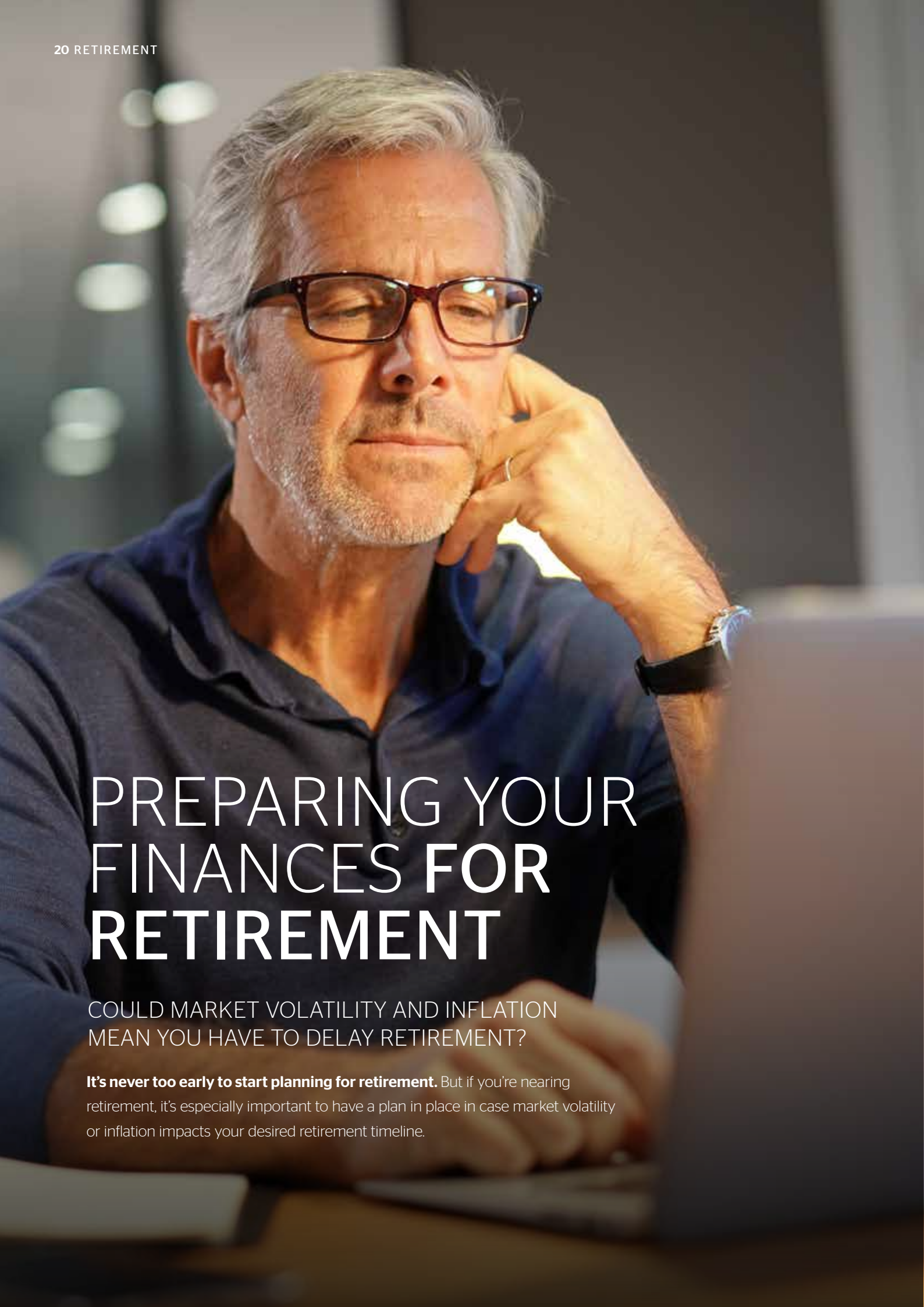
However, over half of parents (57%) are worried Inheritance Tax will have a significant impact on their final estate due to increasing financial support for their children. ■

WANT TO DISCUSS PLANNING FOR YOUR FINANCIAL FUTURE WITH CONFIDENCE?

It has always been important that families talk about financial planning with each other and their financial adviser, yet the impact of rising inflation makes having these conversations early even more crucial. If you would like expert advice on everything from Inheritance Tax to investments, we are here to discuss your options.

Source data:

[1] All data, unless otherwise specified, is taken from 2,000 consumers who turned 40 in 2021, who will turn 40 this year or who will turn 41 this year; and 2,000 parents of consumers who turned 40 in 2021, will turn 40 this year or will turn 41 this year. The 2,000 parents of consumers all had assets of at least £1m, including property. The 2,000 40-year-old millennials are already investors, or have considered investing their money. Data gathered July 2022. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.



PREPARING YOUR FINANCES **FOR RETIREMENT**

COULD MARKET VOLATILITY AND INFLATION MEAN YOU HAVE TO DELAY RETIREMENT?

It's never too early to start planning for retirement. But if you're nearing retirement, it's especially important to have a plan in place in case market volatility or inflation impacts your desired retirement timeline.

/// ONE OF THE BIGGEST RISK FACTORS IN RETIREMENT IS OUTLIVING YOUR MONEY. THIS IS ESPECIALLY TRUE IF YOU DON'T HAVE A PENSION TO SUPPLEMENT YOUR INCOME. THAT'S WHY IT'S IMPORTANT TO MAKE SURE YOUR SAVINGS WILL LAST AS LONG AS YOU NEED THEM TO.

Some people assume that they will be able to retire on time, regardless of what the stock market or inflation rates are doing. However, this is often not the case. Market volatility and inflation as we've seen over recent months can have a significant impact on the cost of living in retirement, and they can also affect how long your savings will last.

With a little planning and forethought, you can make sure that you're prepared for whatever the future may hold so that market volatility and inflation do not derail your retirement plans.

DO YOU UNDERSTAND WHAT YOU HAVE?

It's important to understand what you have and where your income will come from, so that you can make the most of it in retirement. Your retirement income can come from a variety of sources, not just your pension savings or any income you'll receive from final salary-type pensions (also known as 'defined benefit' pensions).

Other sources of retirement income could include: the State Pension, which will give you a welcome top-up when you're eligible – currently age 66, although this will rise in the future; annuities (a guaranteed income for life, usually bought with pension savings); drawdown (where you keep your pension invested and take an income from it, while the investment continues to grow); workplace pensions (such as a company or occupational scheme).

You might also have Individual Savings Accounts (ISAs), other savings and investments, or rental income from property you let out.

IS THIS ENOUGH FOR THE FUTURE YOU WANT?

Once you know what you have, think about what you'll need in the years to come and how long that may have to last. Remember that retirement could be three to four decades. That's why it's important to have a plan in place that can cover your costs, no matter how long you live.

You need to consider when thinking about your future needs that, over time, the cost of living tends to go up. In order to keep up with inflation, you'll need your savings and investments to grow at a similar rate. This way, your money will be able to buy just as much in the future as it does today.

One of the biggest risk factors in retirement is outliving your money. This is especially true if you don't have a pension to supplement your income. That's why it's important to make sure your savings will last as long as you need them to.

EXPLORE ALL YOUR OPTIONS

Even if you've seen the value of your pensions and investments fall that doesn't necessarily mean that you'll have to delay your retirement altogether. The good news is that there are steps you can take to help ensure that your retirement savings will last as long as you need them to. These include diversifying your investments, staying invested for the long term and being mindful of expenses. You could also consider flexi-retirement, which means staying with your current company with reduced hours, or take a new part-time job, meaning you're less reliant on your pension for income.

You could take less from your pension savings and investments until their value recovers and use other savings instead to bridge the gap. Also, if you have any income from final salary pensions, you'll receive a guaranteed amount each year. And this will generally increase each year too, as will your State Pension once you start receiving this. ■

IT'S GOOD TO TALK – WE'LL HELP YOU UNDERSTAND YOUR OPTIONS

If you're nearing retirement age and are concerned about how market volatility and inflation could impact your retirement, we can help you understand and offer guidance on how to adjust your plans accordingly. For more information, please contact us.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

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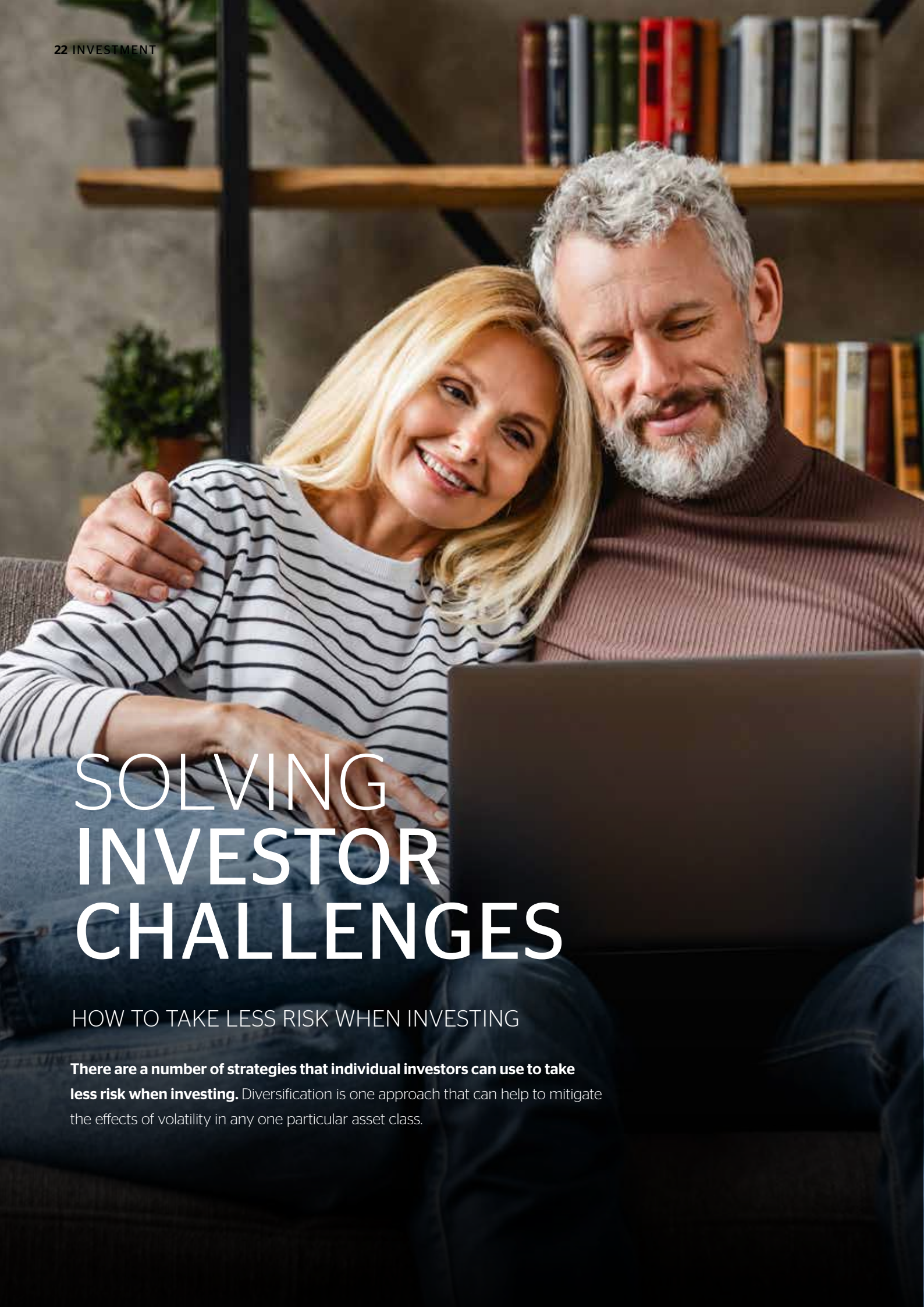

SOLVING INVESTOR CHALLENGES

HOW TO TAKE LESS RISK WHEN INVESTING

There are a number of strategies that individual investors can use to take less risk when investing. Diversification is one approach that can help to mitigate the effects of volatility in any one particular asset class.

/// THERE ARE FOUR MAIN ASSET CLASSES WHEN INVESTING: CASH, FIXED INCOME, EQUITIES AND PROPERTY. EACH HAS DIFFERENT CHARACTERISTICS WHICH CAN MAKE THEM MORE OR LESS SUITABLE FOR DIFFERENT INVESTORS, DEPENDING ON THEIR INDIVIDUAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES.

Diversification is a key principle of sound investing, as it allows investors to spread their risk across a number of different investments. This reduces the likelihood of experiencing heavy losses from any single investment. There are a number of different ways to achieve diversification in an investment portfolio. One way is to invest in a variety of different asset classes.

MAIN ASSET CLASSES

There are four main asset classes when investing: cash, fixed income, equities and property. Each has different characteristics which can make them more or less suitable for different investors, depending on their individual circumstances and investment objectives.

Cash is the most basic form of investment and generally offers the lowest returns. Fixed income investments, such as bonds, are typically seen as being less risky than equities but offer lower potential returns. Equities (or stocks) are ownership interests in businesses and offer the potential for higher returns but also come with a higher degree of risk. Property can provide a steady income stream from rental payments but is also subject to market fluctuations.

GROWTH AND VALUE STOCKS

Investors can spread their money across different asset classes in order to diversify their portfolios and reduce risk. This is because different asset classes tend to perform differently at different times, meaning that an investment in one asset class may offset any losses made on another. Another way to diversify is to invest in a variety of different geographical regions.

When it comes to choosing between growth and value stocks, there is no right or wrong answer. It all depends on the investor's investment goals and risk tolerance. If investors are willing to take on more risk for the potential of higher returns, then growth stocks may be a good option. But if investors are looking for stability and income, then value stocks may be a better option.

STABILITY AND INCOME

Growth stocks are those that are expected to experience above-average growth in terms of earnings and revenue. These companies are typically young and innovative, with high potential for future growth. They are usually more volatile than other stocks, which means they can be more risky investments.

Value stocks, on the other hand, are those that are considered to be undervalued by the market. These companies may not be growing as quickly as others, but they tend to be more stable and offer investors a chance to earn dividends. Value stocks can be a good choice for investors who are looking for stability and income.

WAYS TO DIVERSIFY YOUR INVESTMENT

You can diversify by:

Asset class – spread your investment across the four main asset types: cash, bonds, property and shares.
Region – invest in the UK and overseas so that you're not limiting your investment to one country.
Industry – invest across a variety of sectors such as energy, financial services and healthcare, so you're less exposed to one type of company.
Investment style – create a balance of funds. Investors could choose some companies with good growth opportunities and others that offer value or recovery. This creates a blend of companies with solid but average profits and those with the potential to recover and make stronger profits in the years ahead.

SMOOTHING MARKET FLUCTUATIONS

Investors can also use pound-cost averaging to help reduce the effects of market volatility and investment risk. The basic principle is simple. Instead of investing a lump sum all at once, the investor splits the sum into smaller amounts and invests these over a period of time.

This has the effect of smoothing out market fluctuations, as each investment is made at a different price. Over time, this can help to reduce the overall cost of the investment and increase the chances of achieving a positive return. Of course, pound-cost averaging does not guarantee success, but it can be a useful tool for managing risk in volatile markets.

HELPING INVESTORS REDUCE THE RISK

By doing this, investors also have the potential to buy more shares when prices are low and fewer shares when prices are high. As a result, pound-cost averaging can help investors reduce the risk of buying shares at an inflated price.

No matter what method an investor uses to reduce investment risk, it is important to remember that no investment is completely risk-free.. ■

TAKING THE COMPLEXITY OUT OF MANAGING YOUR OWN PORTFOLIO

We are committed to delivering the best possible performance for our clients' long-term success. Our goal is to take the complexity out of managing your own portfolio and provide in-depth advice on making the most of your investments. To find out more, speak to us to discuss your options.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

RELUCTANT TO RETURN

MILLIONS WANT TO STICK WITH LOCKDOWN LIFESTYLE CHANGES

The COVID-19 pandemic has been incredibly difficult for everyone and made a huge impact on the lives, personal finances and jobs of millions of people. The restrictions introduced during the pandemic were forced on the nation and it was assumed that once they ended, people would quickly return to their lifestyles before lockdown.

/// THE PANDEMIC, LOCKDOWN AND ACCOMPANYING UPHEAVAL IN OUR LIVES HAVE MADE PEOPLE APPRECIATE THE IMPORTANCE OF CLOSE BONDS OF FAMILY AND FRIENDSHIPS AND MANY WANT THE CHANGES INTRODUCED DURING LOCKDOWN TO CONTINUE TO GIVE THEM MORE TIME TO SPEND WITH THE PEOPLE THAT ARE IMPORTANT TO THEM.

However, new research[1] has highlighted how the pandemic has caused millions of people to re-evaluate their priorities, and now many want to keep the changes that they were forced to adopt. Working from home, for example, was something that before the pandemic was done perhaps once or twice a week, if at all.

CLOSE BONDS OF FAMILY AND FRIENDSHIPS

But for many, it has now become common practice and they are now reluctant to return to their commuting lifestyle. Similarly, many people appreciate the convenience of remote parents' evenings, financial advice and doctors' appointments and want to continue doing these remotely.

The pandemic, lockdown and accompanying upheaval in our lives have made people appreciate the importance of close bonds of family and friendships and many want the changes introduced during lockdown to continue to give them more time to spend with the people that are important to them.

- 21m say life after lockdown has made them more focused on their family.
- 18m say they want to continue working from home.
- 41% (21m) of those with a family say they have become more focused on their family compared to before the pandemic.
- 38% (15m) of workers have become more focused on work-life balance.
- 32% (16m) have become more focused on hobbies and interests and 45% (23m) are more focused on their health.

INCREASED ACTIVITIES

Many activities that increased during the pandemic – such as working from home, online shopping and remote parents' evenings – people want to continue. A significant proportion want to stick with changes – such as remote GP appointments – that were forced upon them by the pandemic.

The research looked at activities that increased during the pandemic and found:

- 91% (32m) of those that exercised more during the pandemic want to continue this.
- 79% (18m) of those that worked from home during the pandemic want to continue working from home.
- 76% (23m) of those who did online grocery shopping want to continue.
- 68% (9m) of those that were able to do the school run more during the pandemic want to continue doing it.
- 65% (12m) who received remote financial advice want to continue doing so.
- 58% (10m) of parents that did remote parents' evenings (conducted by zoom or phone) want to continue them.
- 44% (17m) of those that did remote GP appointments want to continue them.
- Wealthier households are faring best.

ELEMENTS OF LIFE

When people were asked what elements of their life have improved or worsened compared to before the pandemic. UK adults are generally more likely to say their finances, fitness and stress levels have deteriorated compared to before the pandemic.

However, some 27% of workers said their work-life balance is better now than before the pandemic, compared to 12% who say it is worse.

BETTER WORK-LIFE BALANCE

The mass affluent group – those with assets of between £100,000 and £400,000 excluding housing – appear to have fared better than the general population. 25% said their fitness was better than before the pandemic compared to 18% of the general population.

27% said their relationship with their partner was better compared to 21% of the general population who had a partner. And 32% of employed mass affluent said their work-life balance was better, slightly higher than the overall working population (27%) ■

I AM READY TO START A CONVERSATION

Find out how we can help guide your future plans. If you would like to reassess your current financial situation and review your goals, we're here to listen.

Source data:

[1] Research from LV= Wealth and Wellbeing Monitor – a quarterly survey of 4,000 UK adults – reveals the COVID pandemic, lockdowns and ending of COVID restrictions has changed people's attitudes to work and family life.

INVESTING FOR POSITIVE CHANGE

MORE INVESTORS ALIGN INVESTMENTS WITH PERSONAL VALUES

Over the past few decades, there has been a growing interest and awareness in investing in companies that take into account environmental, social and governance (ESG) factors.

This type of investing – also known as sustainable, responsible or impact investing – aims to generate both financial returns and positive social and environmental impacts.

INVESTMENT PORTFOLIOS

The origins of ESG investing can be traced back to the 1960s, but it was in the 1970s that the environmental movement gained momentum, with investors increasingly calling on companies to address issues such as pollution and resource depletion. And in the 1990s, corporate governance came into the spotlight following a series of high-profile corporate scandals.

ESG investing has its roots in the field of responsible investing (RI), which emerged as a response to growing concerns about the negative social and environmental impacts of businesses. RI investing initially focused on screening out companies with poor ESG records from investment portfolios.

CORPORATE BEHAVIOUR

Over time, RI evolved into a more proactive approach that seeks to engage with companies on issues related to their ESG performance and influence corporate behaviour for positive change. This is often referred to as 'active ownership' or 'impact investing'.

Today, ESG investing is a mainstream investment strategy used by institutional investors and individual investors alike. In fact, one in six investor respondents to a global responsible investing survey are committed to aligning their portfolios to net zero, with a further 42% intending to align their investment portfolios to net zero before 2050[1].

RESPONSIBLE INVESTMENTS

While debate continues about whether doing well (financially) and doing good (morally) need not be mutually exclusive, the survey finds that more than two-thirds (69%) of respondents with exposure to responsible investments are satisfied or very satisfied with their returns to date.

Increasingly, investors are also reflecting more on what it means to be 'responsible'. Specifically, many are actively considering what impact their investment approach can have on society and the environment. The survey identified one of the main reasons for including responsible investments in portfolios is the perception that they will lead to better risk adjusted returns when compared to 'traditional' investments.

PERSONAL VALUES

Investors' concerns around major ESG issues continue to rise, and many are in the process of addressing at least some of these in their investment strategies. For some, it's simply a matter of aligning their investments with their personal values.

Others believe that companies that manage ESG risks well are likely to be more financially successful over the long term. And still others see ESG investing as a way to generate positive social and environmental impacts. ■

HOW CAN YOU MIX IN ESG INTO YOUR PORTFOLIO?

Climate change, demographics, biodiversity and the need for social justice are at the top of the agenda for many investors. The world of investment is catching up. An increasing number of funds now boast of their ESG credentials. If you would like to discuss how this could form part of your portfolio, please contact us for more information.

Source data:

[1] Aon's Global Perspectives on Responsible Investing Report January 2022.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

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