

## YOUR MONEY

SPRING 2019

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## WHO WILL CARE FOR THE CARERS?

It's estimated that over seven million people in the UK<sup>1</sup> act as carers for other people, helping them with personal care, shopping and other household tasks, taking them to and from medical appointments and generally looking after their welfare, often daily. The practical and emotional support they provide can have a big impact on the independence and quality of life of those being cared for.

### CARERS HAVE LITTLE PROTECTION

A survey<sup>2</sup> from a major insurer has highlighted that more than seven out of 10 of those who care for family members or other people, do not have any protection policies in place. This could mean that those they look after might not receive the care they need if they were to fall ill themselves.

Only about three in 10 of those looking after family or community members have life insurance (28%), and only 12% have critical illness cover. If you would like to know more about the costs and benefits of protection policies, get in touch.

<sup>1</sup>Carers Trust

<sup>2</sup>Scottish Widows, April 2018

## IS IT TIME TO GIVE YOUR PENSION A SPRING CLEAN?

The start of the new tax year can serve as a useful prompt to refresh your finances and take a look at your pension. Are your plans on track for your retirement? Here are a few steps you can take.

### PLAN AHEAD FOR A BRIGHT FUTURE

One of the most important things you can do is to think in terms of the lifestyle you aspire to in retirement, and work out the level of income you will need to fund it. Drawing up a budget that caters for your living costs and factors in the things you will want to enjoy more of, like hobbies and holidays, will help you get a clearer picture of the amount you'll need to have saved.

The valuable tax breaks available on pension contributions (subject to the Annual and Lifetime Allowances) act as a clear incentive to save as much as you can comfortably afford. Many of us aren't saving enough, so bear in mind that even

small increases in contributions can add up over the years.

### CONSIDER YOUR OPTIONS

It can help to think about alternative strategies such as working longer or going part-time, or even starting a new career. Today, those past State Pension age are much more likely to still be in employment than would have been the case a decade ago.

### CALCULATE HOW MUCH YOUR PENSION IS WORTH

Reviewing your current pension arrangements will help keep your plans on track and provide an opportunity to increase your level of contribution if your circumstances permit. Getting a State Pension forecast from the government's Future Pension Centre makes sense too.

### KEEP TABS ON OLD PENSION POTS

With many of us set to have several jobs during our working lives, it's important to keep track of pension pots from previous employment. We will be able to review these with you and help you decide whether it's best to consolidate them into one pension plan.

**A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.**

## IN THE NEWS...

### HMRC URGED TO SIMPLIFY TAX RETURN PROCEDURES

As part of the programme to make tax digital, professional bodies are calling on the government to simplify the process, create a better taxpayer experience and modernise the amendment process. Amendments can sometimes work in favour of the taxpayer, sometimes in HMRC's favour, but a recent survey<sup>3</sup> showed that HMRC could be slow to respond following an initial online confirmation.

### AUTO-ENROLMENT REACHES 10 MILLION WORKERS

Recent data<sup>4</sup> shows that in January, the number of workers automatically enrolled into a workplace pension scheme had reached 10m. The government's next task is to try and reach the estimated 9.3m workers who aren't currently saving into a scheme or did not qualify because of their age.

### HOMEOWNERSHIP IN ENGLAND AT A 12-YEAR HIGH

According to the English Housing Survey<sup>5</sup>, there were 14.8m owner-occupied homes in 2017/18, up from 14.4m the previous year. Much of the growth was driven by an increase in the number of first-time buyers who were helped by the cut in Stamp Duty, the government's Help to Buy scheme and the Bank of Mum and Dad.

<sup>3</sup>The Association of Taxation Technicians, Feb 2019

<sup>4</sup>The Pensions Regulator, Feb 2019

<sup>5</sup>English Housing Survey, Jan 2019



## SIDE HUSTLES – WOULD THEY WORK FOR YOU?

A growing phenomenon, especially amongst the young, side hustles are proving particularly attractive to the generation who joined the job market in the last decade.

Basically, a side hustle means having a second source of income, this can come from hobbies and passions or simply spotting a gap in the market. Popular side hustles include activities like dog walking at the weekends, selling clothes or handicrafts in the evenings, or teaching or tutoring in the school holidays, or even developing things like a new phone app.

It's not the same as a part-time job. A part-time job entails working for someone else who governs the terms of your employment and the hours you work. Side hustles often involve doing things that you're passionate about that might one day become your main occupation.

### A GROWING TREND

Many people see this trend as a result of the last recession. The demise of jobs

for life, the rise of the gig economy and wage stagnation have all played a part in changing the work perspective of younger people, with more now determined to follow their dreams and unleash their entrepreneurial spirit.

Research<sup>6</sup> found that a quarter of UK workers have a side hustle, and figures from the Centre for Economics and Business Research<sup>7</sup> show that the number of side hustles in the UK has risen by 32% over the last decade. It's popular amongst those aged 25 to 34, and attractive to women who might be thinking about a career change at some point and want to explore their options.

<sup>6</sup>Henley Business School, 2018

<sup>7</sup>CEBR, Nov 2018

## ADVICE FOR NEW MUMS AND DADS

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Becoming a parent is an exciting time that brings with it lots of new responsibilities. Mums and dads can often find their time entirely taken up with looking after the new addition to their family. However, it makes sense to think about protecting your family and saving for their future too.

### PROTECTING WHAT'S IMPORTANT

Parents want to do what's best for their children, but many overlook putting insurance plans in place that would pay out if the worst was to happen to either of them. It may be an uncomfortable topic to discuss, but no-one would want to leave their family struggling financially. The monthly cost of a

protection plan is a lot less than many people imagine and worth it for the peace of mind.

### SAVING FOR THEIR FUTURE

Having a sum of money saved for them gives a child a good start in life. A Junior ISA is a tax-free savings scheme that enables parents, family members and friends to put money aside either into a cash and/or a stocks and shares account for a child's future. The allowance for the 2019-20 tax year is £4,368. On their 18th birthday, the young adult can access their savings.

**Income protection (with no investment link) has no cash in value at any time and will cease at the end of the term. If you stop paying premiums your cover may end. 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.**



## THE CHALLENGES FACING THE "SANDWICH GENERATION"

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It's estimated that there are 1.3m people in the UK who care and provide financial support both for their children and older members of the family<sup>8</sup>. Understandably, this generation feels under pressure to support family members financially, and there's growing concern that they are doing this at the expense of their own standard of living in retirement.

In this situation, advice can help address the financial needs of each generation and ensure that family wealth is managed tax-efficiently.

<sup>8</sup>ONS, Jan 2019

## FINANCIAL MISTAKES WE CAN ALL AVOID

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When it comes to managing our money, it can be easy to overlook the simple actions we should all take. So here are a few mistakes we should try to avoid:

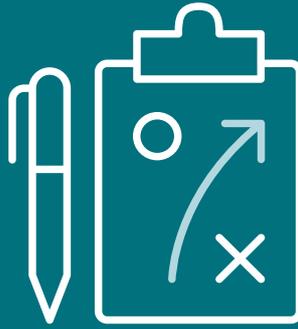
- Not keeping an eye on bank and credit card statements. Checking these can help you budget better and alert you to any signs of fraud
- Letting your mortgage drift. When your current deal is coming to an end, make sure you get professional advice to ensure you get a new cost-effective deal put in place
- Allowing insurance policies to automatically renew. If you do, you could find that your premiums keep going up and up; we can help you find the right deal for your needs
- Not reviewing your pension at regular intervals. Keeping an eye on your pension over the years will help ensure you are on track for a comfortable retirement
- Going it alone at retirement. There are several choices open to you when you retire and getting advice will help you make the best financial decisions for your future.

**A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.**

## PLAN NOW TO MAKE THE MOST OF YOUR TAX ALLOWANCES

The new tax year provides an excellent opportunity to do some simple tax planning. With the annual ISA allowance standing at **£20,000**, and the Junior ISA limit at **£4,368**, it makes sense to make the best possible use of these generous tax breaks.

It's also a good time to check your retirement planning is on track and maximise your use of the tax relief on contributions within the Annual and Lifetime Allowances.



## SCAMS – NEW WARNINGS ISSUED

Financial scams are continually being reported in the media and can have a devastating effect on the lives of savers.

Data released by the Financial Conduct Authority<sup>9</sup>, reveals there were £197 million of reported losses in 2018. That figure could be substantially higher as this just relates to those frauds that were reported. Many people feel too embarrassed and shocked to reveal what has happened to them.

Despite the recent implementation of the ban on unsolicited phone calls, members of the public are still being urged to remain alert, as scammers are likely to change tack and find alternative ways of making contact.

### SPOTTING THE SIGNS

It pays to be wary of anyone who contacts you out of the blue offering a "free pension review". If this happens, then alarm bells should sound. Another sign to look out for is anyone

offering to free up your pension pot before the age of 55; this is a common tactic used by fraudsters.

Callers who encourage you to take out a large sum of money, or worse still, the whole of your pension in one go, and want to invest this on your behalf could also be operating a scam. The chances are that what they're offering you is an unauthorised or non-existent investment, meaning that you're highly likely to lose all your hard-earned cash, and wouldn't be eligible for compensation from the Financial Services Compensation Scheme.

### WHY YOU SHOULD ALWAYS TAKE ADVICE

If you're thinking of making an important financial decision, it pays to take financial advice. If you receive an unwanted approach from an unknown caller about your pension, you can report it to the Information Commissioner's Office.

<sup>9</sup>FCA, Feb 2019

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## PENSION TAX RELIEF – ARE YOU MAKING THE MOST OF IT?

Pensions are one of the most tax-efficient ways to save for your future. To encourage you to save, you get valuable tax breaks on the contributions you make to your pension – normally at the highest rate of Income Tax you pay. This means 20% relief for basic rate tax payers, 40% for higher rate tax payers and 45% for additional rate payers. (Tax rates and bands differ in Scotland.)

Currently, most savers can pay up to **£40,000** a year into their pension with the benefit of tax relief, so for many people that means they have scope to make additional contributions to boost their savings for retirement. As well as the Annual Allowance, there's a limit to how big your pension can get over your lifetime. Currently, that means that if your pensions exceed **£1,055,000**, you'll face an extra tax charge.

### REGULAR REVIEWS WILL HELP YOU KEEP ON TRACK

Pension rules can seem complicated and confusing, but we are here to help you make the best possible use of the tax allowances available to you.

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IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.

It is important to take professional advice before making any decision relating to your personal finances.

Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only.

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Tax treatment is based on individual circumstances and may be subject to change in the future.