ESMARTMONEY

NOVEMBER / DECEMBER 2016

NAVIGATING YOUR INVESTMENT OPTIONS

How professional financial advice can prove invaluable

MONEY'S TOO TIGHT TO MENTION
Planning financially for long-term sickness

CONSOLIDATING YOUR PENSION POTS
What you need to consider to ensure you don't lose out

FREEDOM TO CHOOSE
Using your pension money

COULD YOUR MONEY WORK HARDER?

We focus on achieving and maintaining a thorough understanding of your financial needs and aspirations.

We believe passionately that the best service is provided through personal, face-to-face advice. Our range of services is extensive, supported by a distinctive approach to investment management, enabling you to create financial plans that can adapt to your changing needs and circumstances.

CONTACT US TO DISCUSS YOUR REQUIREMENTS.

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INSIDE THIS ISSUE

Welcome to our final issue for 2016. This year has once again rapidly flown past – which is something we say around this period each and every year, pinpointing time as the most valuable commodity when it comes to implementing any financial planning strategy.

Have you considered all the potential costs of retiring? Some people find their expenses fall once their working life ends, but it's important not automatically to assume that all your expenses will go down – some may increase, such as heating and leisure costs. The constantly evolving landscape of legislative change provides both challenges and opportunities in the retirement planning process. On page 09, we take another look at how the pension reforms that came into effect on 6 April 2015 could impact on your retirement plans.

Few of us really have the time or inclination to understand the vast number of different investment products available on the market and consider what the best options are to suit our particular objectives. To do this effectively, it would need to become a full-time job. But with the busy lives we lead, it can be difficult to find the time to keep fully up to speed with everything that's going on, including managing our ever-changing financial affairs. Turn to page 08 to see how we can help.

As a population we are living longer, and with an ageing population the need for care is growing, with the time spent in care also increasing. However, a fifth of the UK (20%) have no idea who will look after them if they have care needs in old age, according to research released from Bupa. Nearly three quarters (73%) think they will have care needs in older age, but only around half (51%) expect their family to care for them. Read the full article on page 12.

Also, have you ever considered moving and consolidating your pension to another scheme or provider? On page 05, we consider a whole host of reasons why people might want to consider doing this before they reach retirement. Some are looking for better fund performance, lower charges or better death benefits; others are simply changing jobs.

The full list of the articles featured in this issue appears on pages 03 and 04.

To discuss any of the articles featured in this issue, please contact us.

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CONSOLIDATING YOUR PENSION POTS

What you need to consider to ensure you don't lose out

HAVE YOU EVER CONSIDERED MOVING AND CONSOLIDATING YOUR PENSION TO ANOTHER SCHEME OR PROVIDER? THERE ARE A WHOLE HOST OF REASONS WHY PEOPLE MIGHT WANT TO DO THIS BEFORE THEY REACH RETIREMENT. SOME ARE LOOKING FOR BETTER FUND PERFORMANCE, LOWER CHARGES OR BETTER DEATH BENEFITS; OTHERS ARE SIMPLY CHANGING JOBS.

Most schemes will allow you to move your pension pot to another pension scheme, which could be a new employer's workplace pension scheme, a personal pension scheme, a self-invested personal pension (SIPP) or a stakeholder pension (SHP) scheme.

You don't have to decide straight away – you can generally do this at any time up to a year before the date that you are expected to start drawing retirement benefits. In some cases, it's also possible to move to a new pension provider after you have started to draw retirement benefits.

Before taking any action, it is essential you obtain professional, expert financial advice.

MOVING TO A NEW EMPLOYER

When you leave one job to move to another one, you are treated as having left the workplace pension scheme, but you do not lose the benefits you have accrued. At this stage, you may decide that you want to consolidate your pot to the scheme offered by your new workplace.

But if you are thinking about doing this, it is important to do it for financial – and not emotional – reasons. It's crucial that you don't move your pension pot out of a first-rate scheme simply because you want to cut all links with an old employer.

LOOKING FOR BETTER PERFORMANCE

Some people opt to consolidate their pension because they are in an underperforming scheme delivering poor – or non-existent – returns. If your scheme is performing poorly, you may well want to move your money elsewhere.

But once again you need to ask yourself whether you are prepared to invest your pension pot in higher risk funds to potentially obtain a better return. If you are approaching retirement age, you need to think particularly carefully before making such a decision.

No guarantees are provided regarding the performance of any new scheme and/or any underlying investment funds/solutions. As such, there is no guarantee equal or higher returns will be achieved when compared to your existing arrangement(s).

SEEKING OUT LOWER CHARGES

You may want to consolidate your pension because your scheme comes with punitive charges which eat into your returns, leaving you with less money in retirement.

WANTING TO ACCESS A WIDER RANGE OF FUNDS

At the same time, consolidating your pension may sound like a good option if you want to gain access to a wider range of funds than those offered by your current scheme.

SEARCHING FOR BETTER DEATH BENEFITS

If you feel the death benefits on offer with your current scheme do not match up to those offered by more modern schemes, you may want to consolidate your pension to a different scheme.

You might, for example, want to move your money into a scheme that allows one of your relatives to inherit your pension when you die, rather than simply spouses or dependents. The same might apply if you are not married to your long-term partner but want them to inherit your pension once you're gone.

WANTING TO CONSOLIDATE SEVERAL PENSIONS

As people change jobs more frequently during their working life, they often accumulate a number of small pensions along the way. It can be hard keeping track of schemes, and difficult to really know how much your total retirement is worth.

For this reason, some savers may want to clean up their finances by consolidating their pensions into one pot.

THINK CAREFULLY BEFORE MAKING THE SWITCH

You need to be careful before moving your pension pot out of certain schemes – including public sector schemes, such as the nurses' or teachers' schemes – as these offer extremely generous benefits which can be hard to replicate elsewhere.

Equally, if you are thinking about moving your personal pension to another provider, you must check that the benefits are not outweighed by any exit penalties and entry charges. ◂

PROFESSIONAL EXPERT FINANCIAL ADVICE

If you're a member of a defined benefits pension scheme and the value of your benefits is more than £30,000, you will need to take professional, expert financial advice to ensure that the value you are offered represents good value and that this is in your best interests – you may be giving up guaranteed pension benefits, especially if you're moving your pension pot to a defined contribution pension scheme. Please contact us for more information.

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YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

GENERATION X

Procrastinating when it comes to how they view their future.

PEOPLE WITH BIRTH DATES BETWEEN 1964 AND 1979 ARE LABELLED 'GENERATION X' AND ARE SUFFERING FROM A WIDESPREAD TENDENCY TO PROCRASTINATE WHEN IT COMES TO PUTTING MONEY ASIDE FOR RETIREMENT, ACCORDING TO THE RESULTS OF A NEW SURVEY[1].

ON AVERAGE, RESPONDENTS ACROSS THE SAMPLE EXPECTED TO DELAY PLANNING BY AROUND 8 YEARS. BUT THERE IS A TELLING PICTURE OF PROCRASTINATION THAT DEMONSTRATES THE VAST MAJORITY CONTINUE TO PUT-OFF PENSION PLANNING THROUGHOUT THEIR MID-LIFE PERIOD.

Carried out by YouGov on behalf of Old Mutual Wealth, the research conducted with more than 3,000 adults shows that 90% have not started planning how they will fund their retirement[1]. Among that large majority, the average age at which people felt they would start planning was 45 – roughly 20 years before they might hope to retire.

PUTTING OFF PENSION PLANS

On average, respondents across the sample expected to delay planning by around eight years. But there is a telling picture of procrastination that demonstrates that the vast majority continue to put off pension planning throughout their mid-life period.

Respondents aged 30 predicted on average that they would start planning in just less than ten years' time. Based on the predictions of those in their early 30s, there should be a gradual increase in the number of people who have actually gone ahead and put a plan in place by age 40.

EIGHT-YEAR DELAY

Correspondingly, as people progress through their 30s, the projected delay before they start planning should narrow dramatically as they approach their 40s. The number of respondents who have actually formed a plan by that stage is still low – barely higher than the sample average of one in ten.

Across the respondents in their 30s, the expected delay until beginning to plan for retirement never falls below an average of eight years. And it even increases during the mid-30s, indicating that this age group are even more inclined to prioritise other spending over pension saving.

REVERSING THE TREND

It is only among respondents in their 40s that the trend reverses, with respondents shortening the number of years they expect to put off planning. But even at age 45, only 87% of the sample said they had actually started planning.

And for those who have not yet started, the average age at which they expect to make a plan remains several years in the future, with those aged 45 expecting to have a financial plan in place for retirement by the time they are 51.

FINANCES FOR LATER LIFE

The vast majority of respondents to the survey indicated that they acknowledged a need to put in place a financial plan for retirement, with only 6% of those without a plan saying they never expected to put one in place. In other words, although nine in ten don't have a plan, 94% of that group acknowledge it is something they want to do.

The survey data illustrates that while Generation X realise the need to plan their finances for later life, very few have actually done so. And more worryingly, although they have an age in mind to begin planning, the evidence suggests most are inclined to keep deferring until well into their 40s or even later.

MAKING UP A SAVINGS GAP

While there is strong evidence that most people recognise there is a need to plan, this group have a tendency to delay. But trying to make up a savings gap as you come closer to retirement age can be challenging. This is because you will lose some of the benefits of investing over time. For Generation X, retirement planning is on the 'to-do' list for most, but there is a worrying tendency to procrastinate and never get round to it.

Many people want to delay pension saving and leave it for another day. It is easy to see why. Between childcare costs, school fees, travel costs, holidays, repaying the mortgage and all the other costs we face in our 30s and 40s, it can feel that there is simply no money left to save at the end of the month. Instead, some people hope that tomorrow will be better and it will be possible to make up the difference. Unfortunately, that might not be possible for many, and trying to rapidly top-up your pension after years of under-saving is likely to end up more expensive over the long term. ◂

PLANNING OBJECTIVELY FOR TOMORROW

Planning ahead for retirement is not easy. It is difficult to plan objectively for tomorrow because we are hard-wired to focus on the here and now. Planning what financial resources you will need in the future is difficult, and plotting a path to reach your goals requires professional financial advice. Regardless of the life stage you have arrived at, it is important to receive expert and professional advice on your pension plans and requirements. To discuss your situation, please contact us.

Source data:

[1] All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 3,009 adults. Fieldwork was undertaken from 14–22 July 2016. The survey was carried out online. The figures have been weighted and are representative of all UK adults aged 30–45.

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NAVIGATING YOUR INVESTMENT OPTIONS

How professional financial advice can prove invaluable

FEW OF US REALLY HAVE THE TIME OR INCLINATION TO UNDERSTAND THE VAST NUMBER OF DIFFERENT INVESTMENT PRODUCTS AVAILABLE ON THE MARKET AND CONSIDER WHAT THE BEST OPTIONS ARE TO SUIT OUR PARTICULAR OBJECTIVES. TO DO THIS EFFECTIVELY, IT WOULD NEED TO BECOME A FULL-TIME JOB.

MANAGING OUR EVER-CHANGING FINANCIAL AFFAIRS

With the busy lives we lead, it can be difficult to find the time to keep fully up to speed with everything that's going on, including managing our ever-changing financial affairs, especially as investment products are unlikely to remain the same throughout our lifetime. This is where professional financial advice can prove invaluable.

We can help you design a custom investment portfolio to suit your individual situation. It should take into account your financial goals, as well as your need, willingness and ability to tolerate risk. Your investment portfolio should also generally be designed to minimise your tax burden, if possible, and is prudent given your circumstances.

THINKING ABOUT YOUR ATTITUDE TO RISK

When it comes to investing, it's as much about managing the potential downside as it is about targeting potential gains. Generally, higher returns come with higher risk, and professional financial advice can help you think about your attitude to risk before making any recommendations. It's also important to make sure your portfolio has the right balance for your risk profile by diversifying across asset classes, regions, providers and products as applicable.

To invest successfully, a key step is to think about your long-term financial future. You are at the centre of your financial plan: your goals (both short term and long term), your situation, and your financial strengths and challenges. As time passes and your lifestyle changes, it is important to keep a regular check on your investments. It is likely that the balance of the investments in your portfolio will need to evolve, not only in line with changing market conditions, but also with factors such as your investment goals, your personal circumstances and perhaps most notably your age.

Important considerations when building an investment portfolio:

CHOICE

With vast amounts of information and products available, the whole process of wading through and choosing an investment can be quite daunting. We help you to cut through the noise, discuss your investment objectives, understand which products are available and select those most suited to your investment needs.

BALANCE

Investing is as much about managing the potential downside as it is about looking for potential gains. Typically, investments with the potential for a higher return also carry a higher risk due to the more volatile sectors and regions that are targeted. Part of the process we consider is the risk or return trade-off, and we can help you to gauge your attitude to risk. From this, we can ensure that your portfolio has the right balance of risk by diversifying across asset classes, regions, providers and products as appropriate.

JARGON

Understanding the jargon used within the financial industry and extracting the important information can be difficult and time-consuming. Our approach is to translate current events and bring out hidden facts in seemingly endless product literature. So whether you want to understand the implications of interest rate increases or of a change in tax legislation regarding an investment product, we will be able to discuss how each issue directly affects you.

REVIEWS

As time passes, both markets and your lifestyle can change dramatically. This consequently means that it is important to keep your investments under continual review so that you can get the most out of them. Anything in your life, such as your age or personal situation, could affect the requirements you have for your investments. By us reviewing and, if necessary, adjusting your portfolio, we can help you to meet your evolving needs.

CONFIDENCE

With markets constantly on the move and unforeseen events sometimes having significant impacts – as we have seen since the Brexit referendum result and last financial crisis – the need for ongoing adjustments to your investments can be extremely important, and staying on top of this can be a full-time job. By us taking this important responsibility off your hands and putting it in our hands, we can help you to feel more confident that your holdings are suitably invested for your individual requirements.

LOOKING TO INVEST FOR INCOME OR GROWTH?

Creating and maintaining the right investment strategy plays a vital role in securing your financial future. Whether you are looking to invest for income or growth, we can provide the quality advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals. To discover how we can help you build a long-term strategy for your investments, please contact us – we look forward to hearing from you.

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FREEDOM TO CHOOSE

Using your pension money

HAVE YOU CONSIDERED ALL THE POTENTIAL COSTS OF RETIRING? SOME PEOPLE FIND THEIR EXPENSES FALL ONCE THEIR WORKING LIFE ENDS, BUT IT'S IMPORTANT NOT TO ASSUME THAT ALL YOUR EXPENSES WILL GO DOWN – SOME MAY INCREASE, SUCH AS HEATING AND LEISURE COSTS.

The constantly evolving landscape of legislative change provides both challenges and opportunities in the retirement planning process. The pension reforms that came into effect on 6 April 2015 were introduced to offer more choice and flexibility on what we can do with our pension savings if we're aged 55 or over.

There has always been the option to take 25% of your pension pot tax-free, but with the new pension changes you can now take your whole pension pot in one go.

You now have many options available to you:

- Leave your pension invested if you don't need to take money straight away
- Take the tax-free cash and leave the rest invested
- Take some or all of the money as a cash lump sum
- Buy an annuity to provide a lifetime's secure income
- Use a combination of the above

Taking your whole pension fund as a cash lump sum is the biggest change to come out of the 2015 pensions changes, so what does it all mean?
The pension changes mean you can access your pension fund as and when you like from the age of 55 (rising to age 57 in 2028). One option is to take the whole pension pot in one. However, it's important to remember that the first 25% of your pension pot is tax-free, and you will pay Income Tax on the remaining 75%.

INCOME TAX CHARGE

Taking your entire pension as cash could involve a high tax charge. There is a standard Personal Allowance (£11,000 for 2016/17) on which no Income Tax is paid. Above this amount, tax is paid on your total income. Currently, the tax bands are 20%, 40% and 45% depending on your income. So, any cash you take out of your pension (except for your tax-free lump sum) is added to your income for the year and may well push you into a higher rate tax band.

There are added risks you need to consider, such as:

- Paying too much tax on pension withdrawals
- Buying unsuitable investments
- Using all of your funds too fast

MAKE AN INFORMED DECISION

Using your pension money now could help your finances but also affect your future. It's important to receive expert financial advice so that you make an informed decision. Whatever you choose to do, it's important to understand the tax implications and consider all your pension options to avoid any unnecessary tax bills. If you would like to review your options, please contact us.

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LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION MAY BE SUBJECT TO CHANGE, AND THEIR VALUE DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF THE INVESTOR.

HOW FINANCIALLY PREPARED ARE YOU FOR YOUR RETIREMENT?

Men narrow the gap on women when it comes to life expectancy

THANKS TO HEALTHIER LIFESTYLES AND ADVANCES IN MEDICINE, PEOPLE ARE LIVING LONGER LIVES, BUT MANY INDIVIDUALS MAY NOT FEEL FINANCIALLY PREPARED FOR THEIR RETIREMENT. WHEN IT COMES TO SETTING YOUR INVESTMENT GOALS OR STRATEGY FOR YOUR RETIREMENT, THERE ARE TWO MAIN OPTIONS.

If you're looking to build up the value of your investments over time, you're investing for growth. Alternatively, if you're aiming to get a regular income from your investments, then you're investing for income.

Some investors think of cash as a safe haven in volatile times, or even as a source of income. But the ongoing era of ultra-low interest rates has depressed the return available on cash to near zero, leaving cash savings vulnerable to erosion by inflation over time. With interest rates expected to remain low, investors need to be sure that an allocation to cash does not undermine their long-term investment objectives. Cash left on the sidelines earns very little over the long run.

EIGHTH WONDER OF THE WORLD

Compound interest has been called the 'eighth wonder of the world'. Its power is so great that even missing out on a few years of saving and growth can make an enormous difference to your eventual returns.

You can make even better use of the magic of compounding if you reinvest the income from your investments to grow the starting value even more each year. Over the long term, the difference between reinvesting the income from your investments and not doing so can be enormous.

The growth rate used is for illustrative purposes only and is not guaranteed – the actual rate of return achieved may be higher or lower. You may get back less than the amount invested.

These investments do not include the same security of capital which is afforded with a deposit account.

THE LESSON IS TO NOT PANIC

The last ten years have been a volatile and tumultuous ride for investors, with natural disasters, geopolitical conflicts and a major financial crisis. It's important to have a plan for when the going gets tough instead of reacting emotionally. The lesson is to not panic: more often than not, a stock market correction is an opportunity, not a reason to sell. Market timing can be a dangerous habit. Corrections are hard to time, and strong returns often follow the worst returns. But often investors think they can outsmart the market – or they let emotions like fear push them into investment decisions they later regret.

While markets can always have a bad day, week, month or even year, history suggests investors are much less likely to suffer losses over longer periods. Investors need to keep a long-term perspective. A diversified portfolio also provides a much smoother ride for investors than investing in just equities. ◂

NEED HELP TO MAKE SENSE OF THE PENSION OPTIONS AVAILABLE TO YOU?

Retirement can be an exciting time in life as you look forward to spending more time doing the things you enjoy with the people who are most important to you. We can help you make sense of the pension options available to you and how to achieve certainty for your financial future. For more information, please contact us – we look forward to hearing from you.

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MONEY'S TOO TIGHT TO MENTION

Planning financially for long-term sickness

HOW WOULD YOU PAY THE BILLS IF YOU WERE SICK OR ACCIDENTALLY INJURED AND COULDN'T WORK? ACCORDING TO RESEARCH BY UNUM AND PERSONNEL TODAY, JUST 12% OF EMPLOYERS SUPPORT THEIR STAFF FOR MORE THAN A YEAR IF THEY'RE OFF SICK FROM WORK.

Given the low level of state benefits available, everyone of working age should consider Income Protection (IP). IP is an insurance policy that pays out if you're unable to work due to injury or illness and will usually pay out until retirement, death or your return to work, although short-term IP policies are now available at a lower cost. IP doesn't usually pay out if you're made redundant but will often provide 'back to work' help if you're off sick. But when Which? asked the public, just 9% said they have some form of IP, compared with 41% who have life insurance and 16% who have private medical insurance (PMI).

TOO ILL OR DISABLED TO WORK

As research published by insurer Zurich highlights, only one in five of us in the UK have IP cover in the event of becoming too ill or disabled to work. This is despite the fact that as many as 42% have experienced income loss in their working lives due to serious illness.

The findings indicate that people still have an 'it won't happen to me' attitude despite having suffered the consequences at first hand. Over a quarter of respondents said they would be willing to spend as much as 5% of their income on it.

SHOULD THE WORST HAPPEN

In the absence of cover, just under half (47%) expect to rely on savings should the worst happen. Just under a quarter (23%) also report having savings to last them just one month in such a scenario, while 21% say they have enough to last them up to three months.

This picture emerges as the welfare system faces austerity measures with expansion of the Government's Work Capability Assessment programme to review the eligibility of a further 1.5 million people already receiving Incapacity Benefit.

INCOME LOSS IN THE EVENT OF ILLNESS

Unsurprisingly, over half (56%) of respondents' preference would be for the Government to cover income loss in the event of illness, followed by their employer for 37%.

INCOME PROTECTION IS AN INSURANCE POLICY THAT PAYS OUT IF YOU'RE UNABLE TO WORK DUE TO INJURY OR ILLNESS AND WILL USUALLY PAY OUT UNTIL RETIREMENT, DEATH OR YOUR RETURN TO WORK, ALTHOUGH SHORT-TERM IP POLICIES ARE NOW AVAILABLE AT A LOWER COST.

Nearly half (47%) of UK respondents also reported being willing to accept a better benefits package including IP benefits rather than higher wages, suggesting a greater role for employers in helping to protect their employees' financial well-being.

GROWING CHALLENGE FOR INDIVIDUALS AND FAMILIES

The IP gap is a growing challenge for individuals, families and society as a whole. For a family, the impact of the main breadwinner not being able to work through illness or disability can be devastating, with financial hardship resulting in the loss of the family home for those worst hit.

A protection policy every working adult in the UK should consider is the very one most of us don't have – income protection.

ARE YOU AND YOUR FAMILY FULLY PROTECTED?

As we witness a shift in the burden of responsibility from the state to individuals, people need to take more responsibility to protect themselves and those they love to prevent facing financial hardship. If you have any concerns or would simply like to assess your situation should the worst happen, please contact us.

WHO WILL CARE FOR YOU IN OLD AGE?

Making provision in a way that meets your needs and wishes

AS A POPULATION WE ARE LIVING LONGER, AND WITH AN AGEING POPULATION THE NEED FOR CARE IS GROWING, WITH THE TIME SPENT IN CARE ALSO INCREASING. HOWEVER, A FIFTH OF THE UK (20%) HAVE NO IDEA WHO WILL LOOK AFTER THEM IF THEY HAVE CARE NEEDS IN OLD AGE, ACCORDING TO RESEARCH RELEASED FROM BUPA. NEARLY THREE QUARTERS (73%) THINK THEY WILL HAVE CARE NEEDS IN OLDER AGE, BUT ONLY AROUND HALF (51%) EXPECT THEIR FAMILY TO CARE FOR THEM.

RECOGNISING NEEDS AND DESIRES

The survey reveals that old age is a regular consideration. Professor Graham Stokes, Global Director of Dementia Care, Bupa says: 'The perception that older people aren't valued by society is concerning and needs to be addressed. The proportion of people over 80 is expected to increase almost fourfold over the next 50 years...the role they play as well as their needs and desires should be recognised.

'It's clear from the research that people have some realistic concerns about their needs and potential health challenges in old age, but old age can be a happy and fulfilling time when people are valued and treated with respect.'

LIVING A FULFILLING LIFE

Despite concerns about getting older, people are optimistic that they can still live a fulfilling life, with the majority of people believing old age will not stop them living life to the fullest. As we age, our preferences and personalities remain individual, which is why, if care is required, it should be provided in a way that meets our needs and wishes.

Care of the elderly can take on many forms. It can be provided in a secure environment, such as a residential care home or nursing home, or in many cases a person may choose to have their care provided in the comfort of their own home.

COVERING THE COST OF ASSISTANCE

Long-term care insurance provides the financial support you need if you have to pay for care assistance for yourself or a loved one. Long-term care insurance can cover the cost of assistance for those who need help to perform the basic activities of daily life such as getting out of bed, dressing, washing and going to the toilet.

You can receive long-term care in your own home or in residential or nursing homes. Regardless of where you receive care, paying for care in old age is a growing issue.

LEVEL OF STATE SUPPORT

Government state benefits can provide some help but may not be enough or may not pay for the full cost of long-term care. The level of state support you receive can be different depending on whether you live in England, Wales, Scotland or Northern Ireland.

There are many options for funding long-term care, and they can often be complicated to understand. So if you or a loved one needs to pay for care at home or in a care home, it's important to know the options available.

OTHER OPTIONS

Enhanced annuities – you can use your pension to buy an enhanced annuity (also known as an 'impaired life annuity') if you have a health problem, a long-term illness, if you are overweight or if you smoke. Annuity providers use full medical underwriting to get a more accurate individual price. People with medical conditions including Parkinson's disease and multiple sclerosis, or those who have had a major organ transplant, are likely to be eligible for an enhanced annuity.

Savings and investments – the opportunity to plan ahead and ensure your savings and assets are in place for your care needs. ◂

THINKING ABOUT THE OPTIONS IN ADVANCE

Some people may find they have to make quick and difficult decisions about their own or a loved one's care needs. Thinking about the options in advance will help in the long run. If you would like to discuss your particular situation, please contact us.

Source data:

All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,139 adults. Fieldwork was undertaken from 26–29 February 2016. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

YOU'VE PROTECTED YOUR MOST VALUABLE ASSETS.

But how financially secure are your dependants?

Timely decisions on how jointly owned assets are held, the mitigation of Inheritance Tax, the preparation of a will and the creation of trusts can all help ensure your dependants are financially secure.

CONTACT US TO DISCUSS HOW TO SAFEGUARD YOUR DEPENDANTS, WEALTH AND ASSETS – DON'T LEAVE IT UNTIL IT'S TOO LATE.

GENERATIONAL INVESTING

Implications in a fast-changing world

THE MOTIVATIONS AND VALUES OF GENERATION Y BORN BETWEEN 1980 AND1999 AND HOW THESE IMPACT THEIR BEHAVIOUR AS INVESTORS AND CONSUMERS HAVE BEEN PUBLISHED IN A WORK BY DR PAUL REDMOND, DIRECTOR OF STUDENT LIFE AT THE UNIVERSITY OF MANCHESTER, IN WHICH HE EXPLAINS THE KEY FINDINGS OF HIS WORK ON 'GENERATIONAL THEORY' AND THE IMPLICATIONS IN A FAST-CHANGING WORLD.

EACH NEW GENERATION IS A NEW PEOPLE

In Democracy in America, French political thinker Alexis de Tocqueville wrote, 'Amongst democratic nations, each generation is a new people'[i]. In recent years, this theory has been amply tested. As a result, almost 200 years after the publication of de Tocqueville's seminal work, more information has been collected about today's five generations than about any in history.

GENERATION Y: THE FIRST DIGITAL NATIVES

Over the next decade, Generation Y (also referred to as 'Millennials') are on course to overtake the Baby Boomers to become the world's largest generation. Globally, there are over 2 billion members of Generation Y, with 86% living in emerging markets[ii]. The impact of Generation Y will transform the workplace. Estimates are that by 2025, Generation Y will account for 75% of the global workforce.

While the Baby Boomers remain the generation that possesses the financial clout to outspend all other generations, there are signs that this prominence is set to wane. Generation Y is rapidly becoming the new economic powerhouse, accounting for $1.3trn in consumer spending in 2015 (by 2025, this figure is expected to reach $8.3trn in the US alone). None of this is accidental. Much of the wealth of Generation Y is being transferred to them by their Baby Boomer parents – an unprecedented $40trn inter-generational gift that analysts have termed the 'Great Transfer'.

Members of Generation Y are commonly referred to as the world's first 'digital natives' – the first generation in history for whom computers are not strictly speaking 'technology' (the rule of thumb is if it's been around before you were born, it's not technology). As far as Generation Y is concerned, the Internet has always existed, telephones have always been mobile and cameras have always been digital. With a default global mindset, Generation Y is naturally entrepreneurial, working with organisations rather than for them, and looking to take career breaks within the first five years after university.

GENERATION Y'S MOTIVATIONS AND PRIORITIES

Central to the Generation Y mindset are authenticity and sharing. In a study by US Trust, 67% of Millennials claimed that their investment decisions were a way to 'express their social, political or environmental values'. Accompanying this is a strong sense of independence. More than six out of ten Generation Y graduates intend to switch careers frequently during their working lifetimes. This compared to 84% of Baby Boomers who said they intended to remain in the same job for the rest of their working lives.

But this doesn't mean that Generation Y isn't ambitious. In a recent survey by PricewaterhouseCoopers, 52% of graduates said that the defining quality which would make a prospective employer attractive to them was the possibility of career advancement. 65% of respondents identified the opportunity for personal development.

Unlike Generation X born between 1964 and 1979, Generation Y is motivated by civic and global values. With a global outlook, Generation Y has a strong sense of right and wrong – which it sense-checks via social media. At work, Generation Y expects to be treated fairly and equitably from day one. Running in parallel to this is a demand that organisations remain true to their stated corporate social responsibility (CSR) strategies.

GENERATION Y AS FUTURE INVESTORS

The research has highlighted the impact of the 2008 economic downturn on the financial confidence and outlook of Generation Y[iii].

This downturn, first highlighted by the bankruptcy of Lehman Brothers, led to a generation-wide loss of faith in some high-street financial institutions – a loss which, paradoxically, has left Generation Y in a 'double-bind'. On paper, they are the most educated and qualified generation in history. And yet in Europe alone, the spiralling costs of housing means that just under half of them still live at home with their parents. According to a study by Accenture, 80% of Generation Y believes that the economic downturn has taught them the importance of accumulated savings. Nevertheless, almost half have yet to start saving for retirement.

Generation Y's lack of financial literacy is well documented along with a growing sense of alienation from high-street banking institutions. According to Scratch Viacom's 'Millennial Disruption Index' (MDI), 53% of Millennials fail to see any difference between what their current bank offers them versus its competitors. Partly this is down to a growing generational gap which is emerging between traditional banks and Generation Y.

GENERATION Y MARKETS 'YOLO'

Research shows that Generation Y inhabits a 'sharing economy', in which access to services and products are afforded a greater level of importance than purchases. Whereas earlier generations attached value to prestige purchases, Generation Y prioritises lived experiences – all of which, in order to register value, have to be socially referenced via social media. This constant social referencing is a key generational characteristic: unless an activity, experience or purchase has been shared via social media, as far as Generation Y is concerned, it does not fully exist. 'Reality' for this generation is not nearly as interesting as the story they will tell about it later via social media.

The growth of the sharing economy, coupled with Generation Y's propensity to invest in services and experiences, means that potentially lucrative investment opportunities should arise in markets in which sharing opportunities are prevalent. Examples are shared finance, shared accommodation (an example of which is Airbnb), car sharing and car rentals, music and video streaming, hotel rooms, access to luxury goods, property sharing, self-storage, and asset sharing. With their capacity to trigger the inner Generation Y entrepreneur, industries which provide opportunities for 'C2C' (customer-to-customer) transactions will be particularly important to Generation Y consumers.

C2C AND F2F

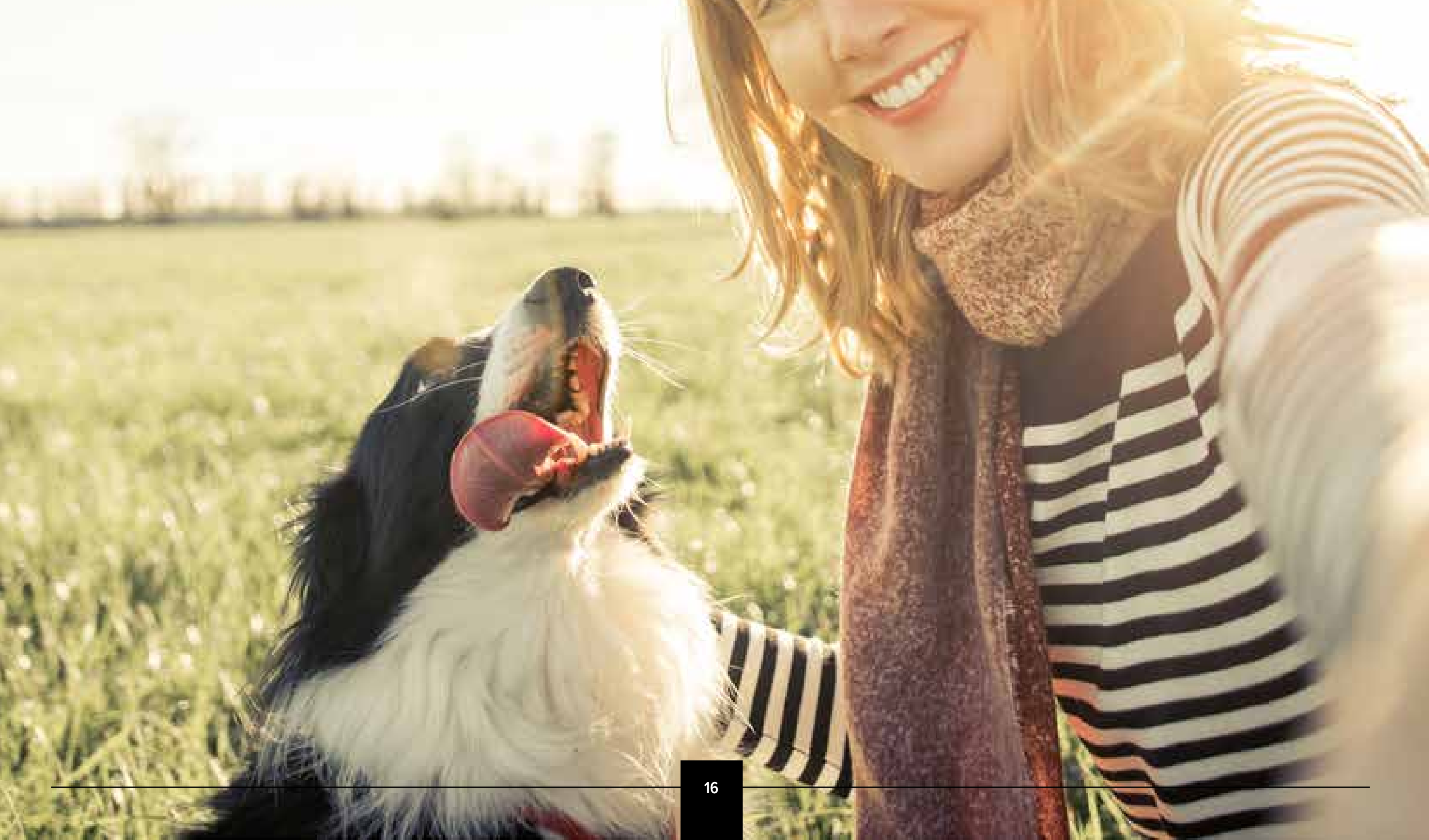
Of course, what allows each of these areas to thrive and multiply is their almost seamless capacity to involve a strong digital interface. For Generation Y, accessing a product or service via the Internet is a given. There is, however, a caveat. When seeking financial advice, research found that Generation Y still prefers 'F2F' (face-to-face) interaction with a skilled financial adviser. In this, Generation Y reflects the values of previous generations. The only difference is that Generation Y expects the adviser to be available whenever he or she is required. No doubt this is another reason why high-street banks are struggling to gain the attention of younger consumers. ◄

Source data:
[i] Democracy in America, *de Tocqueville, A. (1835)*
[ii] 'Generation Next – Millennials Primer', report by Bank of America Merrill Lynch (2015)
[iii] 'Generations Apart: exploring employee benefits solutions for today's workplace', Redmond, P, White Paper Report for Barclays plc (2013).

'MID-LIFE **SAVINGS** CRISIS'

It's good to talk about your options

PUT SIMPLY, RETIREMENT PLANNING IS ABOUT HOW YOU LOOK AT YOUR FUTURE, BUT MORE THAN A MILLION BRITONS ARE FACING A 'MID-LIFE SAVINGS CRISIS' AS THEY NEAR 40 WITH NO RETIREMENT SAVINGS, ACCORDING TO RESEARCH FROM ZURICH. A THIRD (33%) OF BRITISH ADULTS AGED 35 TO 39 – EQUIVALENT TO AN ESTIMATED 1.31[1] MILLION PEOPLE – SAY THEY HAVE NO MONEY SAVED INTO A PENSION, DESPITE APPROACHING THE MID-POINT OF THEIR WORKING LIVES.



NOT SAVING INTO A PENSION

Among 'millennials' (those born between 1980 and 1999), the picture is equally bleak with almost two in five (37%) adults aged 25 to 34 – equating to an estimated 3.2[2] million people – not saving into a pension.

The findings highlight how financial pressures could be forcing some Britons to start saving later, while others are struggling to save at all. Rising rents and house prices, combined with years of low wage growth, have made it harder than ever for people to save.

INADEQUATE INCOME IN RETIREMENT

With the cost of living rising, some people appear to be putting off saving into a pension, or not saving at all. This is leaving a third of Britons in their late 30s facing a mid-life savings crisis. By delaying saving into a pension, a substantial number of Britons could end up with an inadequate income in retirement.

Younger generations who delay saving may have to retire later. Britons reaching the age of 40 with no pension savings could be forced to work much longer to achieve a secure retirement. Even those nearing their 30s without a pension should not assume they can make up lost ground at a later age, no matter how far off retirement may seem.

WIPING OFF TENS OF THOUSANDS OF POUNDS

Delaying saving for a few years can wipe tens of thousands of pounds off the future value of your pot. The earlier you start investing into a pension, the more your savings will benefit from the compounded benefit of growth on growth.

It is important for savers to maximise their employer contributions and take advantage of pension tax relief. The good news is that your employer and the Government can help to boost your savings.

MATCHING YOUR CONTRIBUTIONS

If you save into a workplace scheme, it is likely that your employer will pay into your pot – with many matching your contribution. It makes sense to take maximum advantage of this. Any money you save is also boosted further by a government top-up in the form of tax relief.

Under auto enrolment, many employers are obliged to pay into a workplace pension for their employees. If you decide to opt out of the scheme, you will miss out on employer contributions and tax relief, which is free money by any other name.

TIPS TO BOOST YOUR PENSION

Regardless of whether or not you have started to save, these four tips can help get your pension on track:

1. TAKE ADVANTAGE OF TAX RELIEF

Any money you pay into your pension receives a rebate from the Government at the same rate as you pay Income Tax – 20%, 40% or 45%. This means it costs a basic rate taxpayer 80p to put £1 into their pension, a higher rate taxpayer 60p and a top rate taxpayer 55p.

The rate of tax relief matches the amount of income in that tax band, so a higher rate taxpayer with £3,000 of income in the higher rate band will only get 40% tax relief on £3,000 of gross contributions (and 20% on any balance).

2. MAXIMISE EMPLOYER CONTRIBUTIONS

Make the most of your workplace pension scheme. Some employers will match your pension contribution, which can turbo-charge your savings. For example, if you increase your current contribution by 3%, your employer may pay in an extra 3% too.

3. TAKING RISK CAN WORK TO YOUR BENEFIT IN THE LONG TERM

Even if you're starting to save at 40, it's likely you'll have another 25 years before retirement. This means it's not too late to take a long-term view and invest in higher risk funds at the outset with potentially bigger returns. By investing for the long term, you are better positioned to weather the ups and downs of the stock market.

4. PLAN AHEAD

Know how much you need to invest each month to achieve your ideal retirement, and don't forget to factor in inflation. Everyone's different. And it's likely the things you spend your money on now will change when you stop working. ◂

MAKE SURE YOU HAVE SUFFICIENT MONEY

A critical aspect of retirement planning is how you structure your financial affairs to make sure you have sufficient money if and when you stop working. If you would like to review your current retirement plans, please contact us – we look forward to hearing from you.

Source data:

Total sample size was 1,018 adults aged 18 to 39. Fieldwork was undertaken from 10–13 June 2016. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18 to 39).

[1] Office for National Statistics data 2015 (published June 2016) shows there are 3,961,730 GB adults aged 35 to 39. 33.08% of 3,961,730 is 1,310,540.

[2] Office for National Statistics data 2015 (published June 2016) shows there are 8,574,802 GB adults aged 25 to 34. 37.33% of 8,574,802 is 3,200,974.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION MAY BE SUBJECT TO CHANGE, AND THEIR VALUE DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF THE INVESTOR.

IS IT NATURAL TO PROCRASTINATE?

Britons would rather vacuum than review their pensions

WHY SHOULD YOU START PLANNING FOR YOUR FUTURE NOW? RETIREMENT MIGHT SEEM LIKE A LONG WAY OFF, BUT THE SOONER YOU PLAN FOR IT FINANCIALLY, THE LESS YOU ARE LIKELY TO HAVE TO PUT ASIDE. PLANNING FOR YOUR FINANCIAL FUTURE EARLY IN YOUR WORKING LIFE WILL ALLOW YOU TO MAKE LONGER-TERM AND POTENTIALLY MORE REWARDING INVESTMENTS.

New insight from Aviva suggests we are masters of the art of procrastination, especially when faced with reviewing our finances. In a recent survey, Britons would rather vacuum (31.5%) or change their bed sheets (23.9%) than review their finances (22.1%) when at a loose end on a rainy Sunday afternoon.

Women would apparently rather vacuum (31.2%), change bed sheets (27.5%), clean their bathroom (23.5%) or even tidy kitchen cupboards (20.3%) before reviewing their finances (19.2%). Men would rather work on their vacuuming (31.9%) than their finances (25.7%)

By age, all those under 45 would rather clean their bathroom than clean their finances. Those under 25 are twice as likely to choose to change their bed sheets (40.2%) than change their finances (19.9%). This may come as news to some student households.

Regionally, the English rank their finances third behind vacuuming and changing bed sheets; the Scottish place it fourth; for the Northern Irish it's fifth; and in Wales it's tied fifth with ironing.

It's natural to procrastinate, but as Abraham Lincoln said, 'You cannot escape the responsibility of tomorrow by evading it today.' This is very true when it comes to planning our retirement. Perhaps, when it comes to our finances, today is the day we should stop waiting and start acting. ◂

DON'T LOOK FORWARD TO RETIREMENT THAT DISAPPOINTS

We all lead busy lives, and we can often find a reason to leave our finances until the next day...or the day after that. But while we may be looking forward to the cleanest houses, we may also be looking forward to a retirement that disappoints if we don't make time to plan. If you want to review your existing retirement plans, please contact us.

Source data:
Survey by Aviva UK of 2,000 people, Britons published 6 September 2016.

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

LOOKING FOR AN EXPERT, FLEXIBLE APPROACH TO MANAGING YOUR WEALTH?

Trust, tax and insurance solutions to ensure your financial goals can be achieved.

Whether your wealth comes from building a business, successful investments or family inheritance, robust family and estate planning is essential for protecting your wealth. We'll work to understand your requirements and bring them together as part of a coordinated financial approach.

CONTACT US TO DISCUSS YOUR REQUIREMENTS.

GLOBAL EMERGING MARKETS

Sector shows an increase over the year to date

AFTER A ROCKY FEW YEARS, THE GLOBAL EMERGING MARKETS SECTOR HAS PICKED UP IN 2016, WITH THE SECTOR SHOWING AN INCREASE OF 31% OVER THE YEAR TO DATE AT THE END OF AUGUST.

This makes it the second top-performing Association of Investment Companies (AIC) sector over the year to date. Yet whilst the Global Emerging Markets sector has outperformed the wider industry average by 23 percentage points over ten years, it has underperformed by 52 percentage points over five years.

IMPROVING INVESTOR CONFIDENCE

With the value of sterling falling after the Brexit result back in June, those who were invested in emerging markets received a boost. Over the past few months, emerging markets have continued to outperform developed markets as investor confidence has improved. Fund flows have remained robust, leading year-to-date flows to turn positive. That said, investors generally have a much lower weighting to this asset class in their portfolios.

With emerging market equities having risen by almost 30% so far this year – albeit with sterling weakness flattering returns to some extent – the obvious question is whether or not the rally can continue.

BROAD ECONOMIC PERFORMANCE

There are reasons to remain optimistic. Firstly, broad economic performance is showing signs of improvement across the emerging world and appears to be contributing to the first positive earning surprises we have seen in a number of our markets for several years.

The case is supported by equity market valuations that remain quite reasonable, particularly so when compared with developed markets. The same is true of emerging market currencies, which proved to be a significant headwind for much of this decade, but have stabilised and in many cases are slowly recovering from undervalued levels. ◄

The information contained does not constitute investment advice or personal recommendation, and it is not an invitation or inducement to engage in investment activity. You should seek professional expert financial advice as to the suitability of any investment decision. For more information, please contact us.

Source data:

Performance data is share price total return to 31 August 2016 based on the last official close price at the month end, on a total return basis. No expenses taken into account. Source: AIC using Morningstar.

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COULD YOUR MONEY WORK HARDER?

We focus on achieving and maintaining a thorough understanding of your financial needs and aspirations.

We believe passionately that the best service is provided through personal, face-to-face advice. Our range of services is extensive, supported by a distinctive approach to investment management, enabling you to create financial plans that can adapt to your changing needs and circumstances.

CONTACT US TO DISCUSS YOUR REQUIREMENTS.

INVESTMENT MATTERS

Creating the life you want

ANYTHING IS POSSIBLE WHEN YOU MANAGE YOUR MONEY THE RIGHT WAY. WHATEVER YOUR GOALS IN LIFE ARE, CAREFUL PLANNING AND SUCCESSFUL INVESTING OF YOUR WEALTH CAN HELP YOU GET THERE. INVESTMENTS CAN OFFER BOTH RISK AND RETURN, AND, GENERALLY, THE BIGGER THE RISK, THE GREATER THE POTENTIAL RETURN. IT'S DOWN TO EACH INVESTOR TO BE COMFORTABLE WITH THE PERFECT BALANCE FOR THEM, AND THIS WILL VARY DEPENDING ON HOW MUCH YOU HAVE TO INVEST, WHAT STAGE OF LIFE YOU'VE REACHED AND WHAT YOU'RE TRYING TO ACHIEVE.

Often, people find life too busy to invest properly. Some see it as complicated, time-consuming and, let's face it, a bit boring. Many of us already hold cash savings. Keeping cash in a bank or building society can be a good idea: it's secure and, even if the bank goes bust, you're unlikely to lose your money because of protection in place for UK savers.

However, at the moment inflation is high and interest rates are at record lows, so the value of cash savings is actually falling as each year goes by – meaning that your money cannot buy you as much this year as it could last year.

That's why you may want to consider other ways to make your money grow, especially if you don't need immediate access to it. Investing in funds might offer a good way to grow your money over the long term, though there are some risks you should be aware of.

HOW MUCH RISK DO YOU WANT TO TAKE?

Investing means taking calculated risks – you could get back less money than you invested. So it's important to understand how much risk you want to take. Typically, the younger you are, the more risk you might want to take, simply because you have longer to recover from any periods when your investments may have fallen in value. A retiree relying on pension income might be less willing to take risk.

WHAT KIND OF QUESTIONS SHOULD I CONSIDER?

- What are my financial objectives, and by when?
- Will I also need an income to supplement my pension?
- Do I need to save for my children's or grandchildren's future – education, university or first property?
- Do I want to buy a yacht in 15 years?
- What sort of investment returns am I looking for?
- Is it more important to take an income from my money or grow it?
- How long do I want to invest for?
- When will I need my money back?
- Do I want to invest a lump sum or drip feed money into funds over a longer period, say on a monthly basis?

This is by no means a definitive list of questions, but they give you an idea of the type of questions you should consider, and they will also help you to determine the right level of risk and make it easier to choose suitable investments.

HOW LONG SHOULD YOU INVEST FOR?

You should see any investment in funds as being for the medium to longer term – five years or more. That's because the longer you invest, the less vulnerable you are to short-term dips in the performance of your investment.

WHAT FUNDS SHOULD YOU CHOOSE?

The appropriate funds you choose might aim to pay you a regular income or grow your money. Some do both.

Growth: this means the fund aims to increase the value of your original investment by selecting assets that the fund manager believes will increase in value. It might take more risk and aim to grow quickly, or take a more cautious approach for steady growth. The latter approach might involve, say, investing in the stocks of large, well-established companies.

Income: instead of only selecting assets that the manager thinks will increase in value, income funds aim to make regular payments to their investors by selecting assets that pay out cash. This can then be used immediately to supplement pension earnings, for example. Some funds allow you to reinvest any income you receive. This means that as each year goes by, you could benefit from investment rewards on the original amount – because assets selected for income payments may still grow in value – and also on the reinvested amount. This can have a dramatic effect on your investment value over time.

WHY SHOULD YOU INVEST IN FUNDS?

Expertise: you don't need to have particular knowledge or investment skill, as someone else takes care of your investment for you. This also saves you time.

Managing risk: some funds spread your investment across a wide range of different assets, regions and sectors. This helps to reduce the risk of financial loss if any single area performs poorly. There are all kinds of individual risks that a fund manager seeks to guard against, such as foreign currency movements, the impact of political instability or individual companies going bust.

Low cost: pooling your money with other people's means you get a more varied portfolio of investments than most people could afford alone. This is because the cost of buying and selling the different assets in a varied portfolio could be prohibitive if you tried to do it on your own.

Flexible: most funds allow you to invest a lump sum or smaller, regular amounts.

WHAT ARE THE ASSET CLASSES YOU CAN CHOOSE?

An asset class is simply a category of investment.

Cash: relatively secure and pays regular interest. It's a low-risk asset but offers low potential returns, and the total amount may be falling in real terms all the time as living costs rise.

Bonds: basically an IOU where the investor loans money to a company or government in return for an agreed rate of interest over an agreed period of time. At the end, the investors get their original sum back. This is considered a lower risk investment than equities, though higher risk than cash.

Equities: shares in a company, meaning that you own part of the company. Tends to be a higher risk and higher return asset than either cash or bonds.

There are many other asset classes available, including property, commodities and specialist investments (such as hedge funds). However, these can be complex and are therefore thought to be less suitable for inexperienced investors.

WHAT SHOULD YOU KNOW ABOUT ASSET ALLOCATION?

Asset allocation is one of the most important concepts in investing – it's about judging how much of your investment to place into different asset classes and which investments within each asset class are likely to perform well.

Someone willing to take higher risks for potentially higher returns might want a larger portion of equities; those wanting to reduce risk might focus on cash or bonds instead. It's about finding the right balance for you, and this will vary depending on where you are in life and how sensitive you are to taking risk.

WHY ALL THE FUSS ABOUT DIVERSIFICATION?

Diversification means making sure your investment portfolio is varied, with a good mix of assets, regions, fund managers and sectors. This goes beyond asset allocation, aiming for diversity within each asset class, as well as across your entire portfolio.

HOW CAN YOU MINIMISE RISK?

There's a concept in investing called 'correlation'. Simply put, it means whether different assets in your portfolio gain or lose value at the same time. Imagine you have a cupboard full of shoes: if they were all wellington boots, you would be well-equipped for wintry conditions, but less happy on the beach in summer. It's similar with investing, as a poorly diversified portfolio means when one of your assets is doing badly, so is your entire portfolio.

Diversification helps to minimise this danger by reducing correlation between your assets – so if one of your assets has disappointing performance, it's possible that your other assets could balance this with good performance.

The other benefit of diversification relates to growth. It's difficult to predict which assets, regions or sectors will perform well, so it's wise to spread your investments widely so you don't miss out. It's also true that some people might not want a diverse portfolio, deciding to concentrate on a narrow area instead. However, this is a higher-risk approach and requires considerable experience and expertise. ◄

LOOKING FOR A TOTAL WEALTH SOLUTION?

We've tested and fine-tuned our approach to ensure that we can help take care of our clients' wealth and aim to deliver their expectations. Our service looks at all your financial needs to provide a total wealth solution. If there are any areas you would like to discuss with us about how we can help you, please contact us.

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GETTING READY FOR LIFE BEYOND WORK

Three-year growth in adequate retirement saving steadies

NOBODY KNOWS QUITE WHAT THE FUTURE HOLDS. CHANGING LIFE PLANS AND PRIORITIES WILL MEAN WE ENCOUNTER VARYING INCOME NEEDS AND GOALS THROUGHOUT OUR LIFE, AND WHEN SAVING FOR RETIREMENT CERTAIN INNATE BEHAVIOURAL TRAITS WILL INFLUENCE OUR DECISION-MAKING. SAVINGS LEVELS IN THE UK ARE SHOWING SIGNS OF STEADYING AT THE SAME TIME AS THE NUMBER OF PEOPLE EXPECTING TO RECEIVE A DEFINED BENEFIT (DB) PENSION CONTINUES TO FALL[1].

IN SPITE OF STEADY SAVINGS LEVELS ACROSS THE BOARD, AUTO-ENROLMENT IS LIKELY TO PLAY A POSITIVE ROLE IN THE COMING YEARS, WITH CURRENT FIGURES REFLECTING LEVELS OF SAVINGS MADE BY MANY AT THE VERY START OF THEIR SAVING JOURNEY.

While the proportion of people saving adequately for retirement, buoyed by the introduction of auto-enrolment, had been on an upward trajectory since 2013, in 2016 the number stayed static year-on-year at 56%.

DISENGAGED FROM THE REALITIES OF RETIREMENT

Despite the decline of DB schemes underscoring the vital importance of saving for the future, the proportion of people not saving at all remains at one in five; a slight drop to 18% this year from 19% in 2015. In addition, the mean age at which people think they can comfortably afford to begin saving for retirement has risen in the past year, to 29.3 years from 28.9 years – at the same time, the age at which most would like to retire at has fallen to 62.5 years from 62.7 years last year. The average income people believe they will need for a comfortable retirement has also increased to £23,990, up from £23,254 in 2015.

40-SOMETHINGS SAVE LESS AS 30-SOMETHINGS CATCH UP

This year's research revealed a troubling trend among those in the 40–49-year-old age group. Jointly with those aged 30–39, they have the lowest adequate savings levels (53%). This marks the first time that savers in their 30s are preparing for retirement as well as those in their 40s – despite the fact they have an additional decade of earning potential. Furthermore, while the proportion of adequate savers in their 30s has risen from 52% in the past 12 months, among those in their 40s this figure has dropped from 57%. The number of non-savers in their 40s is also up to 19% this year from 16% in 2015, despite the fact that, on average, there are fewer people not saving this year compared to last.

SUCCESS OF AUTO-ENROLMENT STILL EVIDENT

In spite of steady savings levels across the board, auto-enrolment is likely to play a positive role in the coming years, with current figures reflecting levels of savings made by many at the very start of their saving journey. When excluding those who have a defined benefit pension (i.e. looking only at those covered by auto-enrolment), the proportion of people saving adequately has actually increased in the past 12 months to 43% from 39%.

The impact of auto-enrolment is also clear when looking at the non-savers: women (24%), the self-employed (24%), and those working for small businesses (25%) are all disproportionately not saving – three groups who are either currently less likely to be eligible for auto-enrolment, or yet to feel the full benefit of the relatively new legislation.

BREXIT MAY CAUSE CONFIDENCE TO DIP – BUT INTENTION TO SAVE IS POSITIVE

When it comes to the impact of the EU Referendum result, 31% of people pre-Brexit said they felt optimistic about their retirement – this fell to just 21% following the vote. This trend was particularly prevalent among young people, with 27% of 18–24-year-olds feeling pessimistic about their retirement pre-Brexit, and 43% of 18–24-year-olds feeling pessimistic post-Brexit.

However, the impact may be limited, with 53% saying Brexit will not affect the amount they will save, and only 11% saying they will be putting away less money as a result. In fact, the uncertainty around the vote may even have spurred people on to engage more with saving, with 26% of young people (18–24-year-olds) suggesting they will now put away more money. ◂

FULFILLING YOUR RETIREMENT DREAMS

Do you need to put a plan in place for your future retirement or want to improve your existing arrangements? Retirement can be about fulfilling your dreams or giving something back. How do you want to spend your time? How could you focus more on the things and the people you care about? To discuss how we can make sure you stay on track to meet your retirement goals, please contact us for further information.

Source data:

[1] The 12th Scottish Widows UK Retirement Report monitoring pension savings behaviour annually using the Scottish Widows Pensions Index and the Scottish Widows Average Savings Ratio. The research was carried out online by YouGov across a total of 5,151 nationally representative adults in April 2016. An additional piece of research was carried out by YouGov following the EU Referendum among 1,709 adults. Fieldwork was undertaken from 19–20 July 2016.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

CAPTURING THE UPSIDE

Forecasting future variations in volatile investment returns

TO INVEST SUCCESSFULLY, YOU HAVE TO NAVIGATE COMPLEX MARKET FORCES, SO IT'S IMPORTANT TO TAKE A MORE ROUNDED APPROACH. INVESTORS HAVE MUCH TO THINK ABOUT WHEN CHOOSING AND UNDERSTANDING INVESTMENTS; IN PARTICULAR, MARKET VOLATILITY AND THE IMPACT IT CAN HAVE ON YOUR INVESTMENT.

Extreme market volatility during the credit crunch demonstrated how markets can swing wildly. Understanding volatility is therefore vital to the overall process of choosing the right investments. Volatility is how sharply and how frequently a fund or share price moves up or down over a certain period of time.

It can be triggered by any number of factors. The UK stock market, for example, can fluctuate because of various factors both home and away: the Eurozone debt crisis, the slowdown in the US and problems as far flung as China can all have a turbulent effect on markets. Periods of losses/downturns can be followed by upswings (also known as 'rallies') and vice versa. But this is the very nature of the stock market.

STANDARD DEVIATION

The most common measure of volatility is standard deviation. This measures how much the value of an investment moves away or deviates from its average value over a set period of time, i.e. how much it rises and falls. The more volatility, the higher the standard deviation.

Forecast volatility attempts to use standard deviation to forecast future variation in returns. The higher a forecast volatility figure, the more an investment could move both up and down over time.

LOSS OR GAIN

Generally, investors are happier with lower volatility, even if this means making less money over time. Investors worry most about volatility when markets are falling. When this happens, remember that any loss or gain is only realised when you sell your holdings. Investing for the long term means short-term volatility is not necessarily a reason to panic and make drastic changes.

It can actually work to your advantage if you invest a monthly amount. When prices go up, the value of your investment rises; when they go down, your payment buys more. This is often referred to as 'pound cost averaging'. However, this cannot be guaranteed.

SMOOTH OUT ANY BUMPY RIDES

Spreading risk through diversification is often said to be the first rule of investment. Diversification across a range of markets and asset classes will enable your savings to go to work in different markets and, crucially, reduce exposure to one individual area, as one asset class may go up while another goes down.

Strategies of long-term investing and regular saving will help smooth out any bumpy rides. Matching your attitude to risk with your investments is crucial to getting the right portfolio for your needs. ◂

GIVE YOUR MONEY GREATER POTENTIAL TO GROW

Investing gives your money greater potential to grow in value than if you put it in a savings account or cash ISA, and the longer it's invested the more opportunity it has to grow in value. Your investment choices can make a significant difference to the value of your long-term savings, so it's important to obtain professional financial advice to find a solution that's right for you.


FINANCIAL ADVICE IS OUR BUSINESS.
We're passionate about making sure your finances are in good shape.
Our range of financial planning services is extensive, covering areas from pensions to inheritance matters and tax-efficient investments.
CONTACT US TO DISCUSS YOUR REQUIREMENTS. OUR DETAILS APPEAR ON THE FRONT COVER.

BREXIT

Catalyse, or sabotage?

SUPPORTERS OF THE BRITISH VOTE TO LEAVE THE EUROPEAN UNION (EU) HAVE HERALDED RECENT ECONOMIC INDICATORS AS VINDICATION THAT BREXIT WILL ACT TO CATALYSE, NOT SABOTAGE, THE UK ECONOMY. BEFORE JUNE'S REFERENDUM, MOST ECONOMISTS WARNED THAT A BREXIT VOTE WOULD DAMAGE ECONOMIC GROWTH – AN ARGUMENT AT THE HEART OF THE UNSUCCESSFUL REMAIN CAMPAIGN.

FULL-BLOWN CRISIS

Only time will truly tell whether these fears will ultimately be manifested, but the signs so far are that fears of a full-blown crisis have abated – until now at least. The Prime Minister, Theresa May, has said she will trigger Article 50, which will begin the Brexit negotiations, before the end of March 2017. This withdrawal from the EU is the legal and political process whereby a member state of the EU exercises its right under the Treaty on European Union (TEU) to cease to be a member of the union.

The next part of the process should take no longer than two years, but the details have never been firmly established and are therefore still vague. While Article 50 is being implemented, the UK would still be bound by EU laws and in the free trade area of the EU 'single market', but with no involvement in internal EU discussions or decisions.

WHAT'S FUELLING THE OPTIMISM?

Influential survey figures indicated a recovery in optimism among UK businesses and households. The monthly Purchasing Managers' Index figures, which track sentiment to reflect the economic outlook, rebounded after abrupt falls in July immediately following the referendum.

Moreover, official numbers showed UK retail sales were 1.4% higher in July than in June, and orders for manufacturing exports reached a two-year high in August according to a regular survey by the Confederation of British Industry.

The London stock market has also performed strongly since the sharp fall in share prices that immediately followed the referendum result.

Indeed, the benchmark FTSE 100 Index of the largest UK-listed companies rose 6.4% from 23 June (the day of the vote) to the end of August. The FTSE 250 Index, arguably a better bellwether for the UK economy as it comprises more domestic-focused smaller companies, was also up 3% over the same period.

THE STOCK MARKET IS NOT THE ECONOMY

The outlook for UK-listed companies, as reflected in their share prices, should not necessarily be conflated with that of the British economy. Many international companies based in the UK stand to benefit from a weaker pound – which has fallen considerably against the US dollar and the euro since the Brexit vote – as overseas revenues will be worth more when converted into pounds.

A WEAKER POUND IS MIXED NEWS

While the fall in the pound's value should promote exports by making British goods and services cheaper to buyers overseas, it also makes imports more expensive. As well as reducing the purchasing power of British consumers and businesses, more costly imports could push up inflation.

THE BANK OF ENGLAND'S ACTIVE ROLE

In August, the UK's central bank cut interest rates (for the first time since 2009) to an all-time low of 0.25%. Lower interest rates can help the economy grow by making borrowing cheaper and so encouraging investment and expenditure. The Bank's response to the Brexit vote, which also includes buying UK government and corporate bonds, was intended to prop up the economy during this period. The positive data may be largely attributable to its actions. ◂

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 AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

Published by Goldmine Media Limited
Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL