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Financial Planning Consultants

VIEWPOINT

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us.

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The sandwich generation

You may be **supporting financially dependent children** while simultaneously **taking care of an older family member** – sound familiar? If so, **you are a member of the sandwich generation** – a category of adults 'sandwiched' between the twin challenges of caring for older and younger relatives.

According to recent research, a shift towards parenthood later in life and an ageing population are combining to create an almost four million strong group of people, caught between caring for ageing relatives and dependent children. Added to the fact that more and more children are now financially dependent on their parents well into adulthood, it's unsurprising that the 'sandwiched' are struggling to keep on top of it all.

Double whammy

The cost of bringing up children is steadily increasing. According to the Child Poverty Action Group's *Cost of a Child 2019* report, the average cost of raising a child to age 18 has soared to £185,000 for lone parents (up 19% since 2012) and £151,000 for couples (up 5.5% since 2012). And, of course, grown-up children stay at home, the higher the bill climbs. Indeed, figures show that 27% of 20 to 34-year-olds were living at home in 2019 (up from 20% in 1999).

Meanwhile, further research has found that 29% of adults cared for an elderly relative in 2019, at an average cost of £5,544.50 in lost earnings and money spent on care costs.

Financial strain

Combined, these two sets of costs are proving to be a big financial strain for the sandwich generation. The significant outgoings associated with their caring duties can have a direct impact on their ability to save for their own future.

Not just cash poor...

Caring duties are not only leaving the sandwiched cash-poor. With precious little time to themselves, they're also time-poor. In fact, almost half (47%) of survey respondents (equating to nearly two million people) said they have less than 35 minutes of free time each day, while 7% said they have no time to themselves whatsoever.

Protect, plan, review

With family members young and old depending on your support, it's vital to have in place the right sort of protection policies so if an unexpected event were to occur, there would be a payout from a policy to help ease the financial burden.

Even if it seems like years away, you need to have a retirement plan in place, so prioritise your pension. It's important to know how much it's likely to be worth, so that you can make plans to save more if you need to.

This is also the time to focus on your savings and investments. The significant outgoings associated with twin caring duties can have a direct impact on their ability to save for your own future. By ensuring you review your portfolio regularly your investment strategy remains in line with your goals and takes account of your attitude to risk, which may change over the years.

How we can help

More of us than ever are facing growing demands on our time and energy, which could be leading to implications for our finances too. There's plenty to think about, taking financial advice at this stage of your life can make the difference between just about managing in your later years or enjoying the retirement you deserve.

We will continually review your finances as you confront new challenges such as this stage of your life. We aim to develop and adapt your financial strategies to cope with changes in life circumstances and keep your financial goals on track.

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‘No matter how long the winter, spring is sure to follow’

As we entered the new year with further lockdowns and history making world events, the hope of spring hangs in the air, an enticing prospect, this year, more than ever. While we’re waiting for the green shoots of spring to emerge, why not use the time effectively by getting your finances in order before the end of the tax year?

The tax year ends on 5 April 2021, which is Easter Monday this year, so don’t wait until the last minute to double-check you’ve taken advantage of all the tax-efficient allowances available to you. To avoid a last-minute Easter rush, we’re on hand to get you organised with all aspects of your end of tax year planning. Here’s a reminder of some of your main tax planning opportunities:

Pensions

— The current Annual Allowance is £40,000 (for every £2 of adjusted income over £240,000, an individual’s Annual Allowance is reduced by £1. The minimum Annual Allowance is £4,000

— The Lifetime Allowance places a limit on the amount you can hold across all your pension funds without having to pay extra tax when you withdraw money. The limit is currently £1,073,100

Tax efficient investments

— Individual Savings Accounts (ISAs) – maximum annual contribution of £20,000 per adult (stocks and shares, and cash options available, maximum allowance not to be exceeded)

— Junior Individual Savings Allowances (JISAs) – maximum annual contribution of £9,000 per child (stocks and shares, and cash options available, maximum allowance not to be exceeded)

— Enterprise Investment Schemes (EISs) – maximum investment of £2,000,000, relief on investments in certain unquoted trading companies, up to £1m per annum (or £2m as long as at least £1m of this is invested in knowledge intensive companies)

— Venture Capital Trusts (VCTs) – maximum annual investment of £200,000, relief on investment in certain qualifying companies

Making Inheritance Tax-free gifts

— Each financial year you can make gifts of up to £3,000 (in total, not per recipient) and if you don’t use this in one tax year, you can carry over any leftover allowance to the next year (some other exempted/ small gifts allowable)

— To reduce the amount of IHT payable, many families consider giving their assets away during their lifetime. These are called ‘potentially exempt transfers.’ For these gifts not to be counted as part of your estate on death, you must outlive the gift by seven years

— If you have enough income to maintain your usual standard of living, you can make gifts from your surplus income. Advice is essential as strict criteria apply

Using Capital Gains Tax allowances

— Annual exemption of £12,300 per person, £6,150 for trusts – currently under review, correct at time of publication.

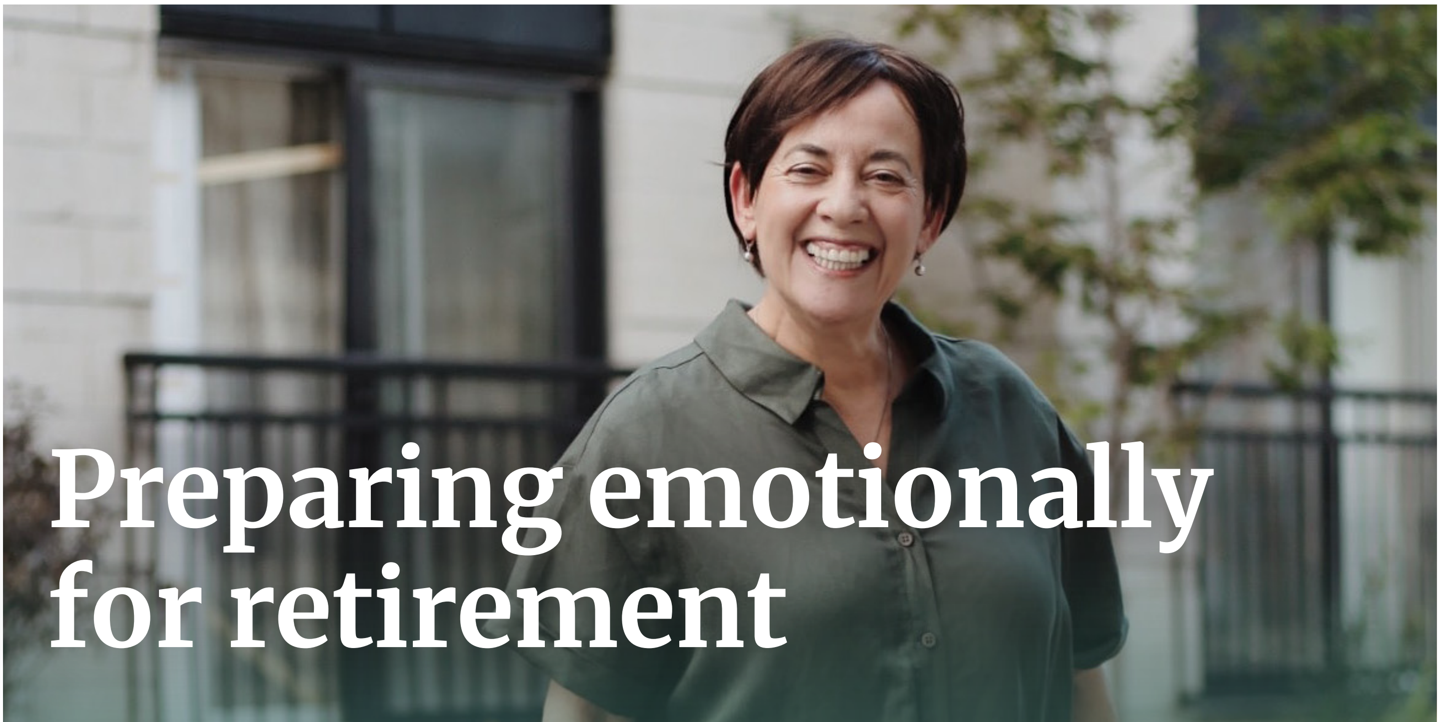
The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.

Past performance is not a reliable indicator of future performance and should not be relied upon.

Due to the high-risk nature of these products (EISs and VCTs) they will not be suitable for everyone.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.



Preparing emotionally for retirement

You've retired from work, you've waved a cheerful goodbye to your colleagues and you're ready for the rest and relaxation you so rightly deserve. It's exciting! For a couple of weeks. Then the doubt sets in.

What will you do with your life, you might find yourself asking? How will you fill the long daytime hours? How will you manage without the comfort of your routine? Where will you find your purpose, if not from work?

Planning – it's not just financial

Whenever we talk about retirement, it's all about the pension. If you have enough in your pension pot when you retire, you're all set, right?

Many retirees simply aren't prepared for how significantly their life will change, and many, while not missing work per se, will certainly miss the sense of purpose it offered. And, with life expectancy on the rise, it's daunting to contemplate the next 20 to 30 years without any of the structure around which you're used to organising your life.

'Reinvent' yourself

A European study funded by the Erasmus program argues that we should start preparing for retirement as early as 50. Suddenly stopping work after spending a lifetime focused on your career, it argues, can be the catalyst for depression and other mental health issues. That's why we need to 'reinvent' ourselves in our 50s by discovering new passions and interests, improving our mental and physical health, and generally forging a life for ourselves outside of work in the run-up to retirement.

So, what steps can you take to prepare for a happy retirement?

Happy, healthy, whole

Retired or not, you'll still want and need similar things in life: a sense of purpose, social interaction and activities that interest and stimulate you. With this in mind, here are our tips for preparing for a fulfilling retirement:

Wind down in stages – rather than going from full-time to retired overnight, why not try reducing your hours first, giving you the fulfilment of work combined with the free time to pursue other interests?

Exercise your body – and your mind – experts have long extolled the virtues of exercise for our physical and mental health. Getting into the habit now could really help your emotional state when you retire.

Be a social butterfly – in addition to solitary hobbies and interests, joining groups and clubs can help you develop social networks outside of the workplace.

Get a furry friend – as well as keeping you company indoors, a pet (such as a dog) will give you an incentive to get outside in the fresh air.

Don't neglect your pension – while preparing emotionally is a big part of retirement, the money still has to be there to allow you to live life to the fullest.

Would equity release be right for you? A way of supplementing your retirement income using the value tied up in your home, although not right for everyone, we can help you explore your options.

We do the finances, you do the rest

That's why we're here! We can help you sort out the financial stuff to provide you with the resources to spend your retirement free from money worries, so you can concentrate on enjoying your later years. Why not give us a call?

You will need to take legal advice before releasing equity from your home as Lifetime Mortgages and Home Reversion plans are not right for everyone. This is a referral service.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

OW3038 Exp. 02/12/2021

Practical ideas for downsizers

Getting fed up of everyone coming round to yours for Christmas?

Or are you rattling round a large house because your kids have grown up and flown the nest?

Or perhaps you’ve found a lovely little property in a part of the country you’ve always wanted to live?

Whatever your reason for downsizing we’ve got some practical steps to help you make the most of the move...

Measure up

Whether you’re moving into a two-bed bungalow or a one-bed flat, you’ll still need to know how much less space you’ll have in your new home so that you can take your treasured furniture and possessions with you. Most estate agents provide online floorplans but if not, make sure you contact them, or the seller, to get the measurements.

You can then check the size of larger pieces of furniture you want to take with you to make sure they fit. And not only that, but they can be angled around tight hallways or doorways.

Declutter

There are a million and one self-help books and TV shows that tell you how they think you should declutter. It may be emotional, but it can pay to be both practical and cutthroat. Divide everything up according to its fate: ‘keep’, ‘sell’, ‘donate’ (to family or charity), ‘recycle’ and ‘bin’.

Be practical - especially when it comes to larger items. Do you really need three extra duvets? And when scouring through cupboards and other storage, if you find something that’s been at the back of a cupboard for 10 years you can probably assume it would do the same in your new home.

Don’t feel as though you have to give up all those sentimental items though. If it 'brings you joy', keep it. And lock-up storage can be very reasonably priced if you have to resort to it.

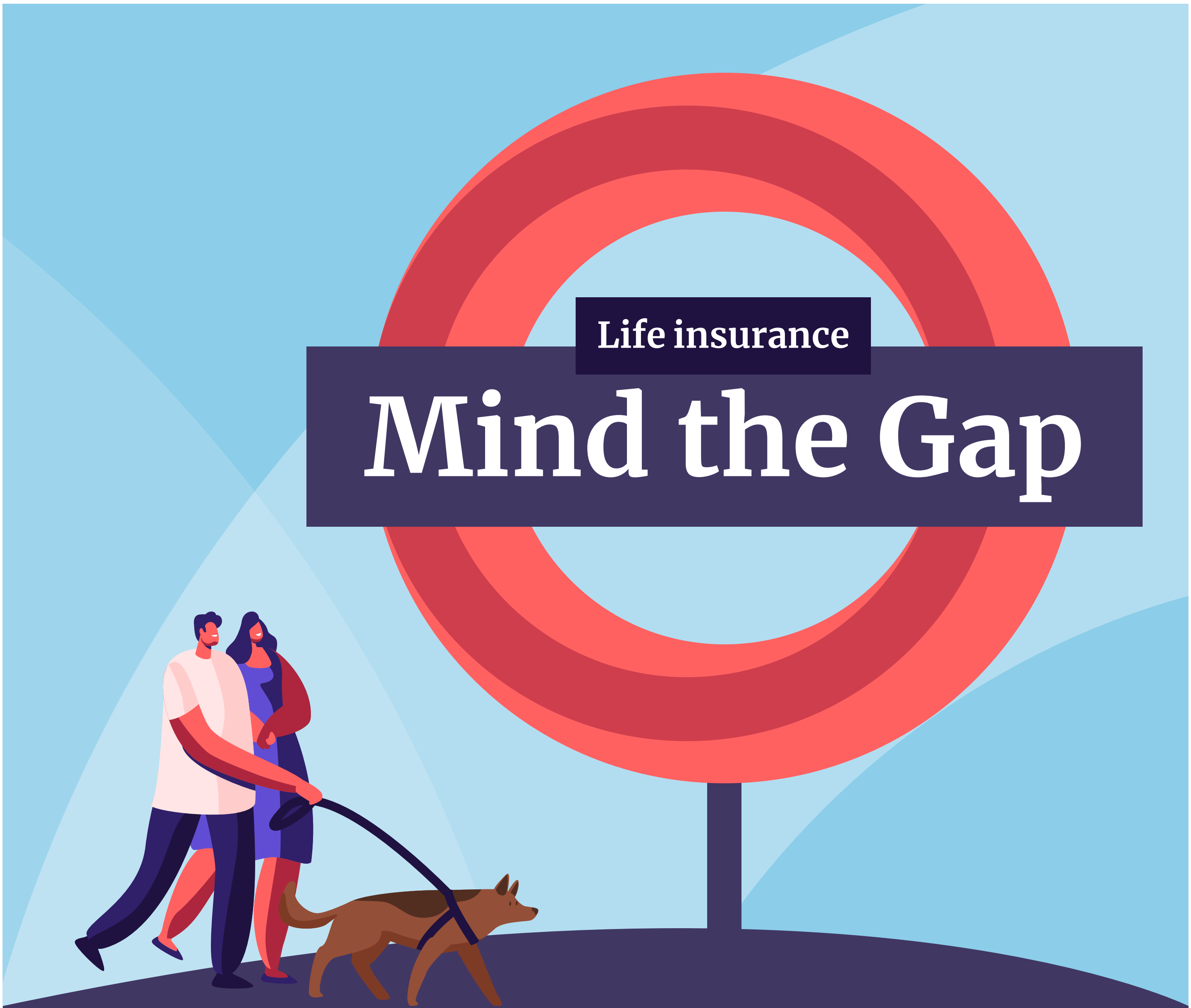
Don’t forget the costs

Moving to a smaller home may well help you save money on things like gas and electricity, council tax and general upkeep, but remember you’ll be incurring costs when you move. Stamp Duty Land Tax (or Land and Buildings Transaction Tax/ Land Transaction Tax), solicitors fees, surveys and valuations can all add up.

Planning your downsize and budgeting for the costs involved in the move will help to make it a simple and stress free exercise.

If you’re thinking of downsizing, we can explore your options and discuss changes to your financial plan that can help to make more of your new circumstances.

OW2107 Exp. 18/06/2021



Life insurance

Mind the Gap

With policies like home insurance or car insurance, we're all in the habit of reviewing our cover annually. With a life insurance policy potentially lasting for 20 or 30 years, it goes without saying that over that time, your lifestyle and therefore your cover requirements can change, sometimes substantially. Whenever you mark life's important milestones, it makes good financial sense to reassess your protection needs.

Overlooking the need to revisit your protection policies over time could mean that your family wouldn't have enough money to pay the mortgage or meet household bills if you were to die. A review is an opportunity, not only to assess your current cover needs, but also to consider newer plans that might be more appropriate to your circumstances and potentially more cost-effective.

Updating your cover as your life changes

Major life events can signal that your cover might need updating. If you've moved to a new house and taken on a bigger mortgage, you will need to review the sum assured (cover provided by the policy) to ensure that there won't be a shortfall in the event of a claim.

Starting a family can be an overwhelming experience and it's understandable that parents don't automatically think about their life insurance needs at this exciting time. However, at this stage family expenditure is likely to increase and it's often the time when parents should think about additional types of insurance cover.

Protection policies can provide not only a lump sum on death or the diagnosis of a critical illness, but also an income for families impacted by an accident, sickness and unemployment. They can also help parents pass their wealth on to future generations and play a major role in Inheritance Tax planning too.

Keeping your needs covered

Insurance is one of the most important financial products anyone can take out and one of the best ways of ensuring your family is provided for financially, if one of life's unexpected and unwelcome events should happen.

As with all insurance policies, conditions and exclusions will apply.