ADMIRAL
WEALTH MANAGEMENT

Expert Advice in Investment & Retirement Planning

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PRESERVING YOUR WEALTH

DEVELOPING A CLEAR PLAN FOR YOUR WEALTH AND PROPERTY

THINKING AHEAD
How our retirement plans may change in response to the coronavirus pandemic

INFLATION-PROOFING YOUR PORTFOLIO
One of the biggest threats to the health of your investments

RISK OF RETIREMENT LONGEVITY
Maximising investment returns over a longer life expectancy

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INSIDE THIS ISSUE

Welcome to our latest issue. A return to how life was at the start of 2020 is some way off. Even now that lockdown restrictions are starting to be eased, coronavirus (COVID-19) will continue to affect our lives in many ways.

Whether you have earned your wealth, inherited it or made shrewd investments, you will want to ensure that as little of it as possible ends up in the hands of the taxman and that it can be enjoyed by you, your family and your intended beneficiaries. On page 10, we look at why, without an appropriate estate plan, your family may end up spending a substantial amount of time and money battling over your assets if you pass away.

The COVID-19 pandemic has had a dramatic effect on the global economy. Around the world, economic activity has dried up. Fewer consumers are buying and fewer companies are investing. But if you take the view that inflation will start to go up in the long term, on page 06 we look at why it is worth considering whether your savings and investments could be affected. After all, you need your investments, and the income from them, to keep pace with inflation to maintain the value of your buying power.

There are lots of variables in retirement: how long people will live for, the costs of goods and services they will need, interest rates available on their accumulated savings, and so on. But once you have retired, investing is anything but straightforward. On page 04. we discuss how to avoid having insufficient income to pay your projected retirement expenses.

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

SHARPER FOCUS ON MONEY
The coronavirus crisis has drastically changed all aspects of life as we know it, but it has also brought a sharper focus on money, particularly on how prepared we are to weather unexpected financial events. We hope you find this issue useful, and if you require any further help or guidance, please do not hesitate to contact us.

Contents

THINKING AHEAD

HOW OUR RETIREMENT PLANS MAY CHANGE IN RESPONSE TO THE CORONAVIRUS PANDEMIC

The coronavirus (COVID-19) pandemic has touched virtually every part of our lives and is having a widespread impact across all aspects of financial life, including retirement plans.

As a result, a significant number of people aged over 50 and in work are potentially considering delaying retirement (15%) by an average of three years, or will continue working indefinitely on a full or part-time basis (26%), as a direct result of the COVID-19 pandemic, according to new research[1]. The findings also suggest that people, particularly those who have been furloughed or seen a pay decrease, would benefit from a financial review to assess their options before changing their plans.

DELAY RETIREMENT

Data from the Office for National Statistics currently shows the number of workers aged above 65 years is at a record high of 1.42 million[2]. However, if people change their retirement plans in response to the pandemic, this could increase considerably.

While, on average, those who plan to delay their retirement expect to spend an additional three years in work, 10% admit they could delay their plans by five years or more. These figures are significantly higher for the 26% of over-50s workers who have been furloughed or seen a pay decrease as a result of the pandemic. 19% of these workers will delay, and 38% expect to work indefinitely.

FUTURE PLANS

Some retirees nearing retirement age might need to be flexible with their plans for the future. It's uncertain just how long it will take for life to return to normal, and while some people may still be able to retire right on schedule amid the COVID-19 crisis, others may need either to postpone retirement or consider retiring early.

As a result, the impact of COVID-19 on stock market performance may also be leading some retirees and those close to retirement to question their investment strategy, but what's the right approach? Understandably, the impulse to react – and to protect what we have – is strong.

REGULAR REVISION

Retirement planning and financial planning, in general, are not 'one-and-done' exercises. It's much better to think of them as fluid and as requiring regular revision. Attempting to time the market and avoid volatility by making dramatic changes to your portfolio can cause harm to your long-term investment results.

With many areas of the global economy coming to an abrupt halt, markets have see-sawed between gains and declines as investors weigh the potential impact of massive stimulus initiatives by governments and central banks.

ECONOMIC UNCERTAINTY

The barrage of news is unrelenting. On a daily basis, we hear about more COVID-19 cases, job losses, economic concerns and oil price shocks, to mention just a few. But long-term investing is ultimately about avoiding selling out of the market during periods of economic uncertainty and crystallising losses. Staying invested means you'll be able to benefit from any potential recovery, and it helps to remember that volatility is actually the norm for stock markets.

To give yourself the best chance of achieving your retirement investment goals, the right mix of asset classes is essential. An effective strategic asset allocation is one that takes enough risk to give your portfolio the potential to grow, but not so much that you feel uncomfortable – and therefore more likely to withdraw funds at the wrong moment.

BETTER OPTION

Whether you decide to postpone retirement or retire early depends on your situation. If you still have a job and your savings have been impacted over the last few months, delaying retirement to give yourself more time to prepare may be a better option.

On the other hand, if you lose your job and don't know when you'll be able to find another one, you might choose to simply retire earlier than you'd planned. If you have plenty of savings set aside, you may be able to enjoy retirement comfortably. Otherwise, you might choose to go back to work in a few years when jobs aren't so scarce to build a stronger retirement fund. ■

MAKING THE BEST DECISION FOR YOUR SITUATION

Whatever option you choose, make sure you've thought about the advantages and disadvantages so you know you're making the best informed decision for your situation. For further information or to discuss your situation, we're here to help you.

Source data:

[1] Opinium Research for Legal & General Retail Retirement ran a series of online interviews among a nationally representative panel of 2,004 over-50s from 15–18 May 2020.

[2] Office for National Statistics, Labour market overview, UK: May 2020

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN. YOUR EVENTUAL INCOME MAY DEPEND UPON THE SIZE OF THE FUND AT RETIREMENT, FUTURE INTEREST RATES AND TAX LEGISLATION.

RISK OF RETIREMENT LONGEVITY

MAXIMISING INVESTMENT RETURNS OVER A LONGER LIFE EXPECTANCY

There are lots of variables in retirement: how long people will live for, the costs of goods and services they will need, interest rates available on their accumulated savings, and so on. But once you have retired, investing is anything but straightforward.

Your finances are a primary consideration, there's no doubt about it. If you have insufficient income to pay your projected retirement expenses, or less surplus income than you anticipated, you could find yourself working years longer than you intended or facing a retirement lifestyle that may not be what you had in mind.

PROTECTING YOUR INCOME STREAMS

Once you have retired, you'll have to juggle finding safe investments to protect your income streams while not being so safe you risk running out of money in retirement. The fundamental point about investing after retirement is that you are speculating to accumulate with a pot of money that represents the main body of your financial wealth.

However, once in the retirement stage, retirees often find that their actual costs are lower than they had expected. This situation can be the result of a number of factors. For instance, many expenses that absorbed a significant amount of your income in your working years may not exist during your retirement.

CHANGING DEMANDS ON A RETIREE'S INCOME

Other demands on a retiree's income may also have changed or have been eliminated. Even if you retire more gradually, working part-time or perhaps periodically, the accompanying work-related expenses may still be greatly reduced.

Depending on your life stage, taking into account your children's ages and the age at which you retire, you may also have finished paying their education-related costs. Other important factors to remember are that, in many cases, you are simply not having to save for retirement anymore.

ENJOYING A LONGER LIFE

While it's not a comfortable notion to think about, you also need to plan for the possibility that you may become disabled or incapacitated yourself during retirement. The reality is that enjoying a longer life can bring unexpected challenges such as illnesses, accidents and the effects of ageing, which can lead to additional expenses, including the cost of long-term care.

You may be familiar with the rule of thumb that states you will need 70% of your pre-retirement income to sustain your lifestyle in retirement. In practice, however, this rule may be too general to address the very specific circumstances of each person's retirement. While this level of income may be adequate for some, the number of your dependents, your debt levels and your lifestyle aspirations can sway your needs significantly up or down.

MANAGING RISK APPROPRIATELY

A 'thinking ahead' mindset is very important in your retirement planning. Do you foresee changes in your approach to investment management decisions when you retire? It can be hard for some retirees to tone down their risk appetite when investing in retirement. They've had decades of practice at investing for growth, after all.

A properly diversified portfolio in retirement is key to maximising returns over a longer life expectancy while managing risk appropriately to avoid significant short-term losses. Retirees can take income from the conservative portion of their portfolios while allowing another portion to continue growing.

FACING ANOTHER TYPE OF RISK

While the risk of portfolio declines can't be overlooked when investing in retirement, retirees also face another type of risk: the risk of running out of money in retirement. Even though we have low inflation today, it's critical for retirees to keep up with inflation. Pressure on the Bank of England to boost the economy and push inflation back to its 2% target is expected to intensify.

Retirement investors who take an approach that includes equities throughout their savings years may also need to continue an element of this into retirement. If appropriate, some retirees may need to moderate the impulse to seek safe investments by including some growth-oriented ones in their portfolio, too.

YOUR OWN UNIQUE LIFESTYLE NEEDS

The challenge when investing after retirement is that no one investment or investment style can address the needs of a 30-year retirement. Each five-year segment, such as ages 65 to 70, or 70 to 75, has its own unique lifestyle needs and therefore investment needs.

Money invested in the first two or three segments, during which time retirement income needs are highly affected by the stock and bond markets and the sequence of returns, should be invested more conservatively than money invested in later retirement years.

EXPERIENCING VOLATILE RETURNS

One of the most important aspects of successful investing in retirement is diversification. Holding funds in cash may be suited to some retirees planning to draw down their entire pot over a short period. However, it is highly unlikely to be suited to someone planning to draw down their pot over a longer period.

Diversifying investments across a number of different assets is important because it may help to reduce the risks of investing during this time of your life. By risk, we mean both that of losing money and that of experiencing volatile returns. ■

HELPING MAKE SURE YOUR RETIREMENT SAVINGS LAST

Older investors have to balance the need to make withdrawals to live on in retirement with making sure they don't run out of money. You've worked so hard to save, and now you're finally retired. With the right strategy, you can help make sure your retirement savings last. Speak to us to discuss your options.

INFLATION-PROOFING YOUR PORTFOLIO

ONE OF THE BIGGEST THREATS TO THE HEALTH OF YOUR INVESTMENTS

The coronavirus (COVID-19) pandemic has had a dramatic effect on the global economy. Around the world, economic activity has dried up. Fewer consumers are buying and fewer companies are investing.

If you take the view that inflation will go up in the long term, it is worth considering whether your savings and investments could be affected. After all, you need your investments, and the income from them, to keep pace with inflation to maintain the value of your buying power.

INFLATION OVER THE PAST DECADE

When we think about concerns over inflation today, we have to consider how the world looked immediately before the coronavirus pandemic, as well as our wider experience with inflation over the past decade.

In the run-up to the COVID-19 pandemic, things were actually pretty quiet on the inflation front. In fact, you could argue that policymakers were more worried about inflation being too low, or persistently low, rather than any return to the 1970s.

DECLINE IN DEMAND ACROSS THE ECONOMY

There are a number of factors driving down inflation at the moment. The social lockdown to help combat the spread of the virus is seeing us having to stay at home, meaning we have generally been spending less, which has led to a decline in demand across the economy. As elsewhere around the world, we have also been driving and travelling far less.

In addition, the price of oil has been a historic bellwether for the health of the global economy. The effect of lower oil prices feeding into lower costs of production for a wide range of goods will also push down inflation.

SPENDING COULD DRIVE INFLATION HIGHER

Despite unprecedented support from the UK Government to help workers and businesses, job security and consumer confidence has collapsed. Economic uncertainty and the threat of unemployment have left many less willing to spend and businesses less willing to invest in capital.

Unless the damage done to the economy ends up lasting, it's likely we'll see a pick-up in spending once there is some resumption of normality. Depending on how much demand is pent up, and how willing consumers and businesses are to part with their savings when we start to emerge from the crisis, the rise in spending could drive inflation higher.

OTHER POSSIBLE INFLATIONARY PRESSURES

Over the long term, there are worries about other possible inflationary pressures. Prices can also go up because there is less supply of products. The ongoing situation caused by the crisis is seeing significant disruption to trade, and some companies going out of business. This could also have the effect of constraining the supply of goods and competition in the global economy, contributing to higher prices at checkouts.

Due to the heightened degree of uncertainty in global markets, it is difficult to forecast the outlook for inflation with any certainty. Nonetheless, it is worth considering the possibility that inflation may rise to levels that have historically been more 'normal'.

INCLUDING SOME PROTECTION AGAINST INFLATION

Investors may not be overly concerned in the short term about inflation, but a diversified portfolio should always include some protection against inflation, whether through holding shares in companies that have the ability to raise their prices over time, or more direct inflation-protecting assets such as inflation-linked bonds. Exposure to inflation-protecting assets should be seen as part of normal portfolio allocation, rather than as a response to the threat of higher inflation.

Inflation poses a threat to investors because it chips away at real savings and investment returns. Most investors aim to increase their long-term purchasing power. Inflation puts this goal at risk because investment returns must first keep up with the rate of inflation in order to increase real purchasing power. ■

TAKE STEPS TO COMBAT INFLATION

Inflation might be beyond your control, but that doesn't mean you can't take actions to help preserve your investments and savings from its effects. To discuss this further or for more information, please contact us.

RETIREMENT MATTERS

STAYING INVESTED AND GIVING YOUR MONEY THE GREATEST CHANCE TO GROW

Perhaps the most common investment advice is to stay invested. But with markets being so volatile, the ease of sticking to that advice has been sorely tested in 2020. Even though we've seen global markets bounce sharply from their March lows, understandably there will still be those investing for retirement who remain worried and wonder what the best approach is for the remainder of the year and beyond.

Depending on what stage of retirement planning you are currently at, if time is on your side, the evidence shows that remaining invested for the long term is one of the best things you can do for your overall retirement wealth. While it can be tempting to take money out of the market in the short term, it is highly likely to deliver lower overall returns.

INFLUENCED BY MARKET SENTIMENT

It's important that your long-term investment objectives are at the forefront of your mind and you align your actions with them. Any dramatic changes to an investment stance in the current environment is likely to be costly. It may make sense to consider doing things gradually or waiting for more stability.

Another consideration is that market liquidity can be poor in the current environment, which makes transactions potentially more expensive. With the omnipresent 24-hour media, it is too easy to become over-influenced by market sentiment, which makes decision-making with long-term consequences particularly difficult at times like this.

DIVERSIFICATION

Investment diversification will also help protect your investments from adverse market conditions. Diversification can be neatly summed up: 'Don't put all your eggs in one basket.' The idea is that if one investment loses money, the other investments will make up for those losses. It's one of the best ways to protect your investment portfolio from the many forms of risk. Diversification can't guarantee that your investments won't suffer during times of market volatility, but it can improve the chances that you won't lose money in the long term, or that if you do, it won't be as much as if you weren't diversified.

PORTFOLIO REVIEW

Once the present coronavirus (COVID-19) crisis has subsided and market volatility has normalised, consider taking the opportunity to review your portfolio. Bear in mind that future income levels expected from the portfolio may have altered, for example, bond yields may have changed in either direction depending on credit rating, while future dividends from equities may be reduced at least temporarily, even if historical equity yields have risen.

PENSION DRAWDOWN

There have been nearly twice as many people seeking pension drawdown advice according to Unbiased, as pension withdrawals have reached a new high in the wake of the coronavirus crisis. But those acting without professional financial advice risk making some big mistakes. If your pension fund has been diminished due to recent market events, only time will help it recover – and taking money from an already depressed investment reduces the potential for recovery in your portfolio. So be careful how much you take out of your pot while it is still invested, or consider suspending withdrawals.

PATIENT INVESTOR

If appropriate to your particular situation, reacting to short-term market events by making dramatic portfolio changes makes it difficult to stay on course to achieve your investment goals. While many investors feel they have to do something during a market downturn, history shows that the disciplined, patient investor will often be the one rewarded when markets return to their upward path. It's worth remembering that reacting to a market decline by selling an investment guarantees a loss that otherwise only existed on paper, and being out of the market can prevent you from participating in any gains when the markets bounce back. ■

PROFESSIONAL FINANCIAL ADVICE IS AN ESSENTIAL PART OF THIS PLAN

Ultimately, you should always have a well-thought-out plan when investing. Receiving professional financial advice is an essential part of this plan. It's not possible to forecast with any certainty another market downturn, but we can say that the long-term evidence supports staying in the market, rather than trying to time your entry and exit. To find out more, please contact us.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

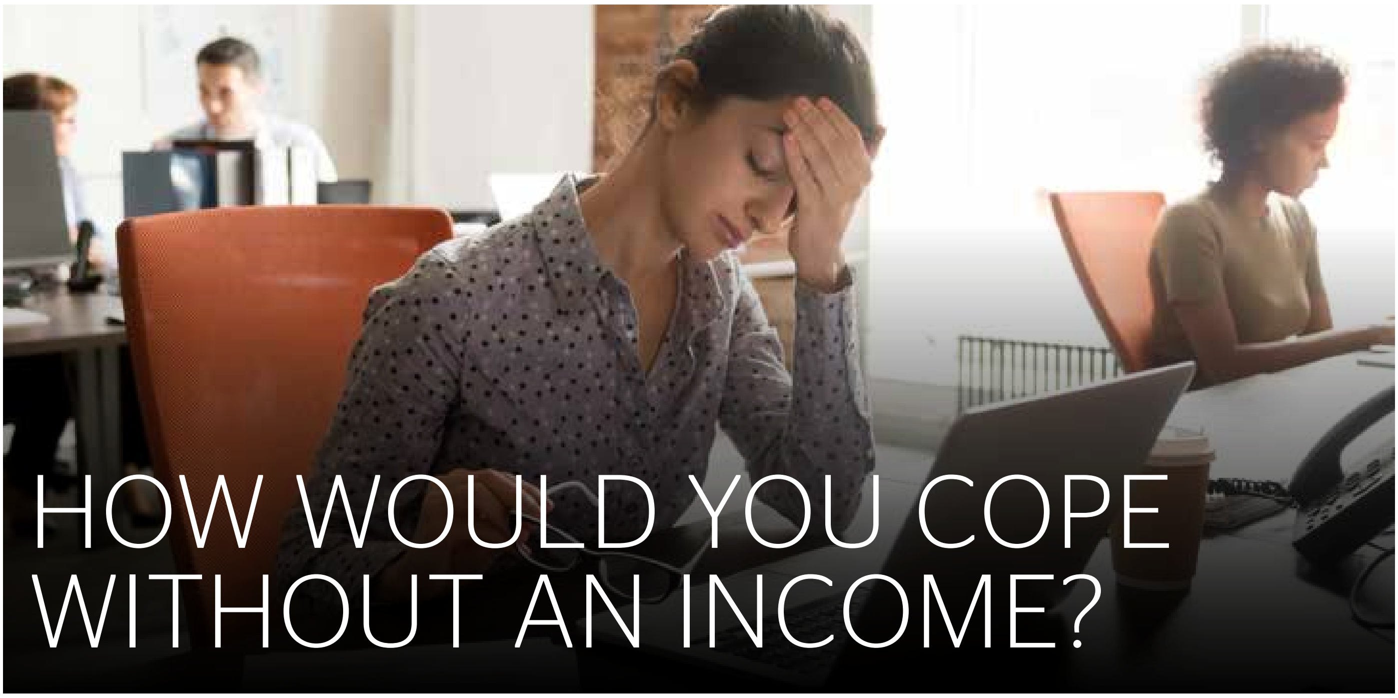
INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

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. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. 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.



HOW WOULD YOU COPE WITHOUT AN INCOME?

MAKE SURE YOU'RE READY SHOULD THE UNEXPECTED HAPPEN

Mental health conditions might not be as easy to pin down as physical health conditions, but insurers are increasingly recognising the need to provide cover and support to people suffering with mental ill health. And with mental health behind so many income protection claims, it's worth reviewing what protection you have in place.

According to the Global Web Index, 54% of UK adults said that their mental health has worsened during the coronavirus (COVID-19) crisis. This concern is widespread, as the biggest fear for 30% of people is their mental health deteriorating during the epidemic[1].

SEEKING MENTAL HEALTH SUPPORT

Claims for mental health account for 29% of income protection claims, with some 7% of adults in the UK seeking mental health support through Telehealth services[2]. Worryingly, a Mind survey found that one in four said they had trouble contacting a GP or community mental health team as face-to-face appointments stopped in recent weeks[3].

It's worth recognising that when it comes to mental health, insurers can offer more than simply the chance of a payout. A host of insurers have attempted to rise to the challenge of improving our mental states by providing a range of additional benefits and services that may give your mental health a boost.

ANXIETY AND DEPRESSION

During this time of uncertainty and anxiety that the COVID-19 lockdown has caused, it has never been more important to look after our mental health. Up to one in four people experience a mental health problem such as anxiety and depression every week, and there is a strong correlation between financial health and mental health.

There is no difference in any of the insurance decision-making processes for mental health to those for physical health. The process by which decisions are made and guidelines are written is consistent for every medical condition whether physical or mental (or, as is often the case, a combination of the two).

MOST COMMON REASON

Over the course of the last decade, mental health issues in Britain have reached crisis levels. Approximately one in six people in England have met the criteria of having a common mental health problem such as anxiety or depression[4].

It is estimated that in the future, one in four UK adults will experience mental illness during their lifetime, which could severely affect their ability to work. According to official statistics[5], mental health problems represent one of the leading causes of work absence in the UK and are the most common reason for sickness absence notes issued by GP surgeries in England.

ACHIEVE MORE AND ENJOY OUR LIVES

Having good mental health helps us relax more, achieve more and enjoy our lives more. The coronavirus outbreak means life has changed for us all. It may cause you to feel anxious, stressed, worried, sad, bored, lonely or frustrated.

The NHS website (https://www.nhs.uk/oneyou/every-mind-matters/) provides expert advice and practical tips to help you look after your mental health and well-being. ■

PROVIDING REAL PEACE OF MIND AND SECURITY

An income protection policy provides real peace of mind and the security of knowing that should anything happen regarding your health which leaves you unable to bring in your usual wage, there will be an income to cover the essentials beyond statutory sick pay. Contact us to find out more.

Source data:

[1] Global Web index – Coronavirus Research, April 2020 – Series 8: Health, Personal concerns

[2] Global Web index – Coronavirus Research, April 2020 – Series 8: Health, Adoption rel="noopener noreferrer" of Telehealth services

[3] Mental health charity Mind finds that nearly a quarter of people have not been able to access mental health services in recent weeks

[4] https://www.canadalife.co.uk/news/britain-s-mental-health-crisis-and-group-insurance

[5] https://digital.nhs.uk/data-and-information/publications/statistical/fit-notes-issued-by-gp-practices/september-2018

BUILDING A STRATEGY THAT MEETS YOUR FINANCIAL NEEDS

PREPARING OURSELVES FOR LIFE TO BE REALLY STRANGE FOR SOME TIME

The only constant in life is change, which is why individual financial life planning should not be a one-off exercise. Reviewing your finances regularly is essential if you want to stay on track to meet your financial goals. Making sure your finances are in the best possible shape will also make sure you stay on course to achieving everything you want.

Everyone has been affected by the coronavirus (COVID-19) pandemic and the measures needed to control it. It's likely that coronavirus will loom over us until we have an effective vaccine, so we need to prepare ourselves for life to be really strange for some time.

CHANGES IN YOUR FINANCIAL CIRCUMSTANCES

As situations in our lives change, it's important that our financial plans are updated by carrying out regular reviews. One of the main reasons why you should review your financial plan regularly is to reflect any changes in your financial circumstances, be it internal or external. You'll also have different goals and priorities as you enter different stages of your life. So where are you currently?

EARLY CAREER

You're likely to be just starting out in your career and might be feeling a little unsure how to implement a budget or manage and maximise your cash flow. A house deposit may be on your horizon, or perhaps you are considering your investment options, but you're just not sure how to get started. It's never too early to start looking at your financial position.

When you first begin earning an income, budgeting is the critical financial skill that you need to master. Developing a suitable budget and building the discipline to live within your income so that you don't fall into a debt trap is key.

Once you learn to contain your expenses to available income, you should start building savings into your budget. The emergency fund will have the first claim on your savings, and this is an urgent and important task.

Initiating some investments for retirement is another key task at this stage, even though the goal may seem too much in the future to be relevant now. Investments for other goals are optional at this stage and can commence once your income and savings stabilise.

MIDDLE-AGED

This is the stage that you'll find the most demanding. You're settled in your career, a young family means your expenditure has increased, and you are looking to repay your mortgage fast while also funding your children's education and/or childcare.

Receiving professional financial planning advice will help you manage an increasingly complex budget, as well as looking to ensure your family is protected in the event of something happening to you. Of course, you may also want to know if you can afford an annual holiday to enjoy the family you now have.

Implementing a plan early in this stage will allow you to reap the benefits later on in life, as well as providing security for your family and any other dependents.

PRE-RETIREMENT

You may now be looking to leave the workforce soon and want to find out if this is financially possible. Your children are now adults and your expenditure has steadied, so you may be starting to look seriously at your ideal retirement lifestyle.

By managing your personal finances prudently so far, this stage of your life will be the golden stage for your finances. Your income is higher and seeing an upward growth trend, while your expenses have stabilised, resulting in growing savings.

Being mindful of expenses is important even at this stage, and the focus of budgeting is to maximise on savings and investments. Managing your investments is critical in this period. Many of your goals are close to being funded, and the investments may need to be rebalanced to reflect this.

Your life and other protection requirements should be updated and aligned to your current and future situation. Now that you have accumulated wealth, it's time to consider how you would like to eventually distribute your estate in the most tax-effective way.

RETIREMENT

You have finally left the workforce and are looking at how to maintain a steady income, discovering what benefits you may be entitled to, and how to maximise these.

Budgeting becomes the focus of finances once again during retirement. The object now is to control expenses to stay within the available income. Managing your investments to generate income and protect it from rising inflation also becomes a primary investment activity at this stage.

Adequate health protection is critical, as health costs can throw your income off the rails. Life insurance may be relevant only if it is required to protect retirement income for your spouse, and debt should not be a big part of your finances at this juncture. ■

WHAT OPTIONS ARE AVAILABLE TO YOU?

Whether you're looking for advice in relation to saving for retirement, asset allocation, protection or estate planning, we will be able to offer expert advice and help you make the right financial decisions for your own unique situation and goals. Speak to us to see how we can help.

PRESERVING YOUR WEALTH

DEVELOPING A CLEAR PLAN FOR YOUR WEALTH AND PROPERTY

Whether you have earned your wealth, inherited it or made shrewd investments, you will want to ensure that as little of it as possible ends up in the hands of the taxman and that it can be enjoyed by you, your family and your intended beneficiaries.

Without an appropriate estate plan, if you pass away, your family may end up spending a substantial amount of time and money battling over your assets – and no one can really be sure of how you were planning to distribute your wealth.

This means that the process of dividing up your assets could become complicated. Estate planning gives you control over what happens to your assets when you pass away. It is a fundamental part of financial planning, no matter how much wealth you have accumulated.

Not only does an estate plan help to ensure that those who are important to you will be taken care of when you're no longer around, but it can also help ensure that assets are transferred in an orderly manner, and that Inheritance Tax liabilities are minimised.

The process involves developing a clear plan that details how you would like all of your wealth and property to be distributed after your death. It involves putting documentation in place to ensure that your assets are transferred in line with your wishes.

Your estate consists of everything you own. This includes savings, investments, pensions, property, life insurance (not written in an appropriate trust) and personal possessions. Debts and liabilities are subtracted from the total value of all assets.

WHAT TO CONSIDER WHEN DEVELOPING AN EFFECTIVE PLAN FOR THE FUTURE

WRITE A WILL

One of the most important components of an estate plan is a Will. First and foremost, a Will puts you in control. You choose who will benefit from your estate and what they are entitled to. You also decide who will administer your affairs after your death.

If you don't make a Will, the intestacy rules will decide who benefits from your estate – and that can produce undesirable results. The law also sets a hierarchy of who is able to handle your financial affairs after death, and that can lead to problems if the person is not suitable because of age, health, geographical location, or for any other reason.

MAKE A LASTING POWER OF ATTORNEY

A Lasting Power of Attorney (LPA) can be made for Property and Financial Affairs, as well as Health and Welfare. These documents can be put in place at any time, and it is important to consider setting them up, no matter what age you are.

An LPA sets out your wishes as to who should assist you in relation to your property and financial affairs and health and welfare. You can control who deals with these and set out any limitations and guidance.

PLAN FOR INHERITANCE TAX

Once the Will and the LPA are sorted, the next step is to think about Inheritance Tax planning. Whenever someone dies, the value of their estate may become liable for Inheritance Tax. If you are domiciled in the UK, your estate includes everything you own, including your home and certain trusts in which you may have an interest.

Inheritance Tax is potentially charged at a rate of 40% on the value of everything you own above the nil-rate band threshold. The nil-rate band is the value of your estate that is not chargeable to UK Inheritance Tax. The amount is set by the Government and is currently £325,000, which is frozen until 2021. In addition, since 6 April 2017, if you leave your home to direct lineal descendants, the value of your estate before tax is paid will increase with the addition of the residence nil-rate band. For the 2020/21 tax year, the residence nil-rate band is £175,000.

GIFT ASSETS WHILE YOU'RE ALIVE

One thing that's important to remember when developing an estate plan is that the process isn't just about passing on your assets when you die. It's also about analysing your finances now and potentially making the most of your assets while you are still alive. By gifting assets to younger generations while you're still around, you could enjoy seeing the assets put to good use, while simultaneously reducing your Inheritance Tax bill.

MAKE USE OF GIFT ALLOWANCES

A gift from one individual to another constitutes a Potentially Exempt Transfer (PET) for Inheritance Tax. If you survive for seven years from the date of the gift, no Inheritance Tax arises on the PET.

Each tax year, you can give away £3,000 worth of gifts (your 'annual exemption') tax-free. You can also give away wedding or registered civil partnership gifts up to £1,000 per person (£2,500 for a grandchild and £5,000 for a child). In addition, you can give your children regular sums of money from your income.

You can also give as many gifts of up to £250 to as many individuals as you want, although not to anyone who has already received a gift of your whole £3,000 annual exemption. None of these gifts are subject to Inheritance Tax.

INVEST INTO IHT-EXEMPT ASSETS

For experienced suitable investors, another way to potentially minimise Inheritance Tax liabilities is to invest in Inheritance Tax–exempt assets. These schemes are higher risk and are therefore not suitable for all investors, and any investment decisions should always be made with the benefit of professional financial advice.

One example of this is the Enterprise Investment Scheme (EIS). The vast majority of EIS-qualifying investments attract 100% Inheritance Tax relief via Business Relief

/// ESTATE PLANNING IS A FUNDAMENTAL PART OF FINANCIAL PLANNING, NO MATTER HOW MUCH WEALTH YOU HAVE ACCUMULATED.

(BR) because the qualifying trades for EIS purposes are very similar to those which qualify for BR. Qualification for BR is subject to the minimum holding period of two years (from the later of the share issue date and trade commencement).

LIFE INSURANCE WITHIN A TRUST

Writing life insurance in an appropriate trust is one of the best ways to protect your family's future in the event of your death. Your life insurance policy is a significant asset – and by putting life insurance in trust, you can manage the way your beneficiaries receive their inheritance.

The proceeds from the policy can be paid directly to your beneficiaries rather than to your legal estate, and will therefore not be taken into account when Inheritance Tax is calculated.

KEEP WEALTH WITHIN A PENSION

A defined contribution pension is normally free of Inheritance Tax, unlike many other investments. It is not part of your taxable estate. Keeping your pension wealth within your pension fund and passing it down to future generations can be very tax-efficient estate planning.

If you die before 75, your pension will be passed on tax-free. However, if you die after 75, your beneficiaries will pay tax on the proceeds at their highest income tax rate. Your pension will not be covered by your Will, so you will need to ensure that your pension provider knows who your nominated beneficiaries are. ■

PRESERVED WEALTH FOR FUTURE GENERATIONS

We all have one thing in common: we can't take our assets with us when we die. If you want to ensure that your wealth is preserved for future generations and passed on efficiently, an estate plan is crucial. To discuss your situation, please contact us for more information.

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 RULES AROUND TRUSTS ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

THE VALUE OF INVESTMENTS AND THE INCOME THEY PRODUCE CAN FALL AS WELL AS RISE. YOU MAY GET BACK LESS THAN YOU INVESTED.

LOOKING TO THE FUTURE

SUCCESSFUL LIFE PLANNING ALSO REQUIRES A SIGNIFICANT DEGREE OF FINANCIAL PLANNING

We spend our lives planning for our next holiday, for a family, buying a property, funding a child's education and for the day we retire. So then why is it that some people seem to have the ability to live the life of dreams and pass on their wealth to the next generation when others are faced with huge tax bills, the prospect of selling their home or worried about healthcare costs?

Being able to realise our future plans and dreams requires objectives, information and organisation. Successful life planning also requires a significant degree of financial planning, a comprehensive picture of your current finances, your financial goals, and any strategies you've set to achieve those goals.

The planning process should be comprehensive and typically involves a close look at your personal goals, debt, income and cash flow, investments, retirement plans, tax strategies, estate plans, investment strategies, and insurance.

/// IF YOU HAD MORE TIME OR MONEY, WHAT WOULD YOU DO?

The outcome should enable any individual and their family to achieve a defined set of financial and lifestyle goals. It is a detailed process of assessing what one really wants out of life and then translating that into financial terms.

DEFINING YOUR FINANCIAL OBJECTIVES AND GOALS

Defining your goals and objectives is the foundation upon which your financial plan is based and provides a roadmap for your financial future. Begin with the end in mind. What is your life about? What do you want to do? Who do you want to do it with? Where do you want to be in 5, 10, 20 years, and how much will that cost?

Look at your financial future as a whole when outlining these goals. All of your finances are connected, so don't just focus on one aspect. Remember that they should be quantifiable and achievable with a clear and defined time frame. You need to separate your needs from your wants, and these should be reviewed periodically to capture changing circumstances and to ensure they remain relevant.

To get where you need to go, you need to know where you are starting from. What have you accumulated? What do you earn? What strategies are already in place?

Once you know where you want to go, how are you going to get there? At this point, you need to plan and devise strategies to save, invest, protect and pass on your wealth. A good plan is always in writing and has defined periods for its achievement that represent milestones and markers of success.

Now it's time to take action. You've worked out where and how – now it is a case of putting that into your financial plan. It's important to remember that as life progresses, career promotions come along, families begin and circumstances change – and your plan needs to change with them. Your plans need to be monitored, reviewed and adjusted accordingly.

Some people put off thinking about financial planning until later in life. But as a consequence, more often than not, they fail to put proper plans in place until in their mid-50s. Therefore, it is critical that you start planning your finances from as young an age as possible. As soon as you have your first job, you should start comprehensive financial planning. ■

THOUGHTFUL REFLECTION ABOUT WHAT YOU WANT

When you're figuring out how to make a life plan, it helps to know what you want to change, and in which areas of your life. Big shifts and goals require thoughtful reflection about what you want and what is standing in your way. To discuss your plans, or for any other questions or concerns you may have, please contact us.

/// WHAT DO YOU WANT TO ACCOMPLISH OR ATTAIN SO YOU WILL FEEL THAT YOU'VE HAD A LIFE WELL LIVED?

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