

Viewpoint



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High inflation hits workers and savers

Employment is at a record high, but UK workers are starting to feel the squeeze as wages fall below inflation for the first time since 2014.



If you'd like to discuss how you can make your money work harder, please get in touch.



Inflation has gone up, in part, due to the Brexit-related fall in the value of sterling, but the fall in wage growth is unusual as it occurs at a time when employment is at a high. When prices rise faster than wages, it reduces spending power and puts pressure on household finances.

Keeping up with inflation

If you earned £539 per week (the 2016 median gross weekly earnings for full-time employees) your pay next year would need to increase by another £10 each week to keep up with an inflation rate of 2.6% (which it was in August 2017). Unfortunately, the current average pay growth of just 1.8% means your earnings will actually be worth £4 less each week.

As well as your wage-packet, rising inflation could also erode the value of any savings you have on deposit, leading some to consider a riskier investment where there is potential for your money to work harder. If you find yourself in this situation, we can help.

Designing your investment strategy

After establishing and agreeing your attitude to risk, we will work with you to create an appropriate investment strategy - one that aims to maximise returns while maintaining the right level of risk for you.

As well as recommending the most appropriate product or tax 'wrapper' (a specific type of tax efficient investment) from the range available to us, we will also recommend the most appropriate fund or portfolio of funds.

Our recommendation will also take into account a number of other factors, including:

- Your objectives for the investment
- Your personal circumstances
- The timeframe over which you intend to hold the investment or pension
- The amount of money you have available to invest
- Other investments that you already have

With so many investment options available and the effects of inflation erosion posing an immediate risk to your savings, the hardest part can be deciding which route to take.

We'll follow a clear and thorough process to clarify exactly what you need from your investments and how much risk you're prepared to take. Our approach will help you get a solution that matches your needs – today and in the future.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up. You may not get back the amounts originally invested.



How to fund a university education

Before the introduction of student loans you may have left university with a bank overdraft. But the sum owed probably paled into insignificance compared to the five-figure debts faced by the coming generation of graduates.



If you're looking for advice on how to invest to support your child's education, please get in touch.

According to the Institute for Fiscal Studies when added to university fees, the average student starting their degree course this year will face a potential £50,800 of debt on graduation, taking university fees and the cost of living into account.

Financial burden

According to the Universities and Colleges Admission Service (UCAS), there was a 5% decline in the number of UK students applying to university for courses starting in 2017. The figures show a 7% drop in applications in Wales, 6% in England and 5% in Northern Ireland. This could be partly attributed to the loss of grant system, as the decline was only 2% in Scotland where fees are paid by the Scottish Government.

Evidence also suggests that fewer students are combining part-time work with their studies. During March to May 2017, of 2.04 million full time students 890,000 took part-time jobs. This is down 41,000 on the same period the previous year.

The combination of increased fees coupled with the reduced number of students taking part-time work, could create a greater financial burden on parents who want to support their children, or result in a bigger loan amount faced by students when they leave university.

Investing for your children's education

If you want to fund your child through their degree course, there are plenty of options to consider. But there are also a number of considerations that it's important to be aware of, including ownership of the investments and the impact of tax.

Two principles which apply to many aspects of financial planning are particularly relevant when planning for your children's financial future:

1. The sooner you start, the better. The longer the timescale, the more scope there is for investments to grow (although there is still no guarantee that they will).
2. Take expert advice before making any decisions. The right investment set up in the wrong way can be worse than the wrong investment set up in the right way. DIY planning is not to be recommended, given the potential pitfalls.

The value of investments and any income from them can go down as well as up and you may not get back the original amount invested.

Investment advice – what a relief!

Every client we meet has a unique and varied range of financial planning needs, so it's important to establish priorities as the first step towards creating a meaningful and relevant financial plan.

When it comes to investment planning, one such priority is making sure you're in a position to maximise the tax reliefs and allowances that are available. Here's a useful summary:



To find out more about how we can plan a tax efficient investment strategy please get in touch.



Pay no tax on the first **£5,000** of dividend income from your investments (This allowance reduces to £2,000 in the 2018/19 tax year)



Review your potential Inheritance Tax liability with the introduction of the Residence Nil Rate Band



Consider whether you could take advantage of the tax efficiencies available from investing in an Enterprise Investment Scheme or Venture Capital Trust. Please note these are specialist investment options that carry higher risk and not suitable for all investors



Earn up to **£1,000** interest on your personal savings tax free, higher rate taxpayers will be able to earn up to £500



Invest up to £3,600 or 100% of UK relevant earnings, whichever is the greater, up to a maximum of **£40,000** in your pension every tax year and receive tax relief on those contributions



Make the most of your ISA allowance every year and invest up to **£20,000** (in 2017/18)



Make the most of your **£11,300** Capital Gains Tax CGT allowance when selling an asset or investment that has increased in value. Transfer between spouses is currently exempt from CGT. By gifting assets to your spouse or Civil Partner you effectively double your allowance

This information is based on our current understanding of the rules for the 2017-18 tax year.

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

The value of investments and any income from them can go down as well as up and you may not get back the original amount invested.

Pension death benefits

There's a range of options when it comes to deciding how to fund retirement, but few of us stop to think about what might happen to pension savings in the event of death.



Please contact me if you'd like to discuss the rules and explore whether and how you and your loved ones could benefit from them.

Alongside the more familiar changes to retirement choices that happened back in 2015, 'Pension Freedoms' heralded significant changes in how pension death benefits are taxed; bringing with them new inheritance-planning opportunities.

Passing on wealth

Since April 2015 it has been possible for the plan holder to pass their pension on to any nominee(s) through something called Nominee Flexi-Access Drawdown. Further, when the nominee dies, a successor - or successors - can also inherit a drawdown pension through a Successor Flexi-Access Drawdown.

In turn, each nominee or successor can pass the assets on to other nominees or successors, retaining the tax efficiency of the plan through multiple generations.

The key benefit lies in retaining the assets within a pension wrapper: in this way they fall outside of the plan holder's estate for Inheritance Tax (IHT) purposes. As long as they remain within the wrapper they stay tax efficient in most cases until they're needed by the nominee or successor.

If the plan holder - or a nominee or a successor - dies before the age of 75, not only are the assets passed on free of IHT, but the drawdowns are paid out free of income tax. If they die after the age of 75, the assets are still excluded from the estate for IHT purposes, but any lump sums or income drawdowns are treated as income and are subject to the beneficiaries' own marginal rate of tax (ie. taking into account other sources of income).

How might your dependents benefit?

The example given below is a simplified illustration and only a guide to what might be achieved with careful financial planning.

However, it's important to note that most of the existing pension plans were set up before the new regulations came into force and may not have the flexibility to establish Nominee or Successor Flexi-Access Drawdown accounts.

Instead, the pension provider will pay out the full value of the fund in cash on the death of the plan holder. In that situation, the assets count towards the total estate for IHT purposes.

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The pension family tree

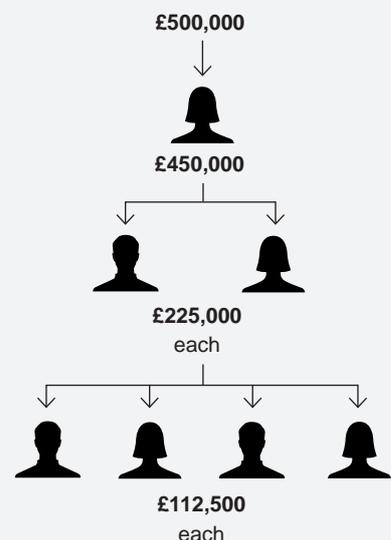
A family comprises a husband and wife, their two children who in turn have two children each (four grandchildren in total).

The husband dies aged 76 with £500,000 remaining in his pension fund.

The wife inherits a Nominee Flexi-Access Drawdown plan. As her husband died after reaching the age of 75, any withdrawals are taxable as income. The wife dies aged 74 and with £450,000 remaining in the plan.

The two children each inherit half of this (£225,000) through Successor Flexi-Access Drawdown. Withdrawals are tax free as the mother died before age 75. However, both children die in their 60s without accessing their plans. As they also died before reaching 75, each residual pension fund passes tax free to the grandchildren.

Each grandchild inherits a Successor Flexi-Access Drawdown pot of £112,500 and enjoys tax-free withdrawals.



The value of our advice

Good financial advice and planning helps people to protect and build their assets, make the most of their investments and help to achieve the goals and lifestyle they desire.



For more information about any of our services, please get in touch.

Establishing priorities

Every client we meet has a unique and varied range of financial planning needs, so it's important to establish priorities right from the start if we are to create a meaningful and relevant plan.

As time passes, your financial plan will need to evolve, and regulatory changes can impact the effectiveness of any structures already in place. That's why we recommend a regular review to ensure that your plans remain on track and relevant.

The importance of ongoing advice and service

If you choose to receive ongoing advice and service from us, we'll invite you to regular meetings where we will monitor the progress of your plans and discuss any adjustments required in the light of changing circumstances.

We believe that ongoing service can help you continue to make well-informed choices and give you the best chance of achieving your goals through key life stages.



Five promises we make to our clients



1. We will help you arrange your finances so that they work as effectively as possible towards funding your life goals.



2. We will help you take steps to ensure your income, assets and family are protected from the impact of long-term illness, disablement or death.



3. We will advise you on how your investments can benefit from relevant tax reliefs and allowances. We will also advise you on the most effective way of withdrawing income or capital from your arrangements when the need arises, or how best to pass wealth to your intended beneficiaries.



4. We will help you keep your plans in focus by regularly meeting with you to review and refresh arrangements. This might be a result of changing personal circumstances, legislation, new opportunities and any other factors relevant to your situation.



5. We will be accessible and responsive whenever you wish to contact us with queries or requests.

Take control of your investments

Getting a clear, concise view of your investment portfolio can be difficult and time-consuming. That's why we use a secure, online system known as a Platform.

A Platform gives you secure, online access to your investment funds with a transparent, easy-to-understand charging structure. So rather than holding your ISAs, pensions and other investments in different places, you can view everything at a single glance.

Think of it as an online bank account for your investments which we can administer on your behalf.

A clear picture

As well as cutting down on paperwork, using a Platform can speed up transactions and give you the flexibility to take advantage of annual tax allowances. And because your assets are held on one online source, you (and we) can access consolidated reports at the touch of a button.

Whether you need a stocks and shares ISA for tax efficient savings, a simple way of investing your money or a pension to help fund your retirement, we can offer it all in one place with a single solution, giving you secure online access to keep an eye on your investments 24/7.

With us by your side, we'll help make your money work harder for you, giving you a sense of direction and control over your future.

The benefits of a Platform:

Choice

A Platform provides easy access to a wide range of investment funds, allowing us to tailor your portfolio to better reflect your current circumstances, financial position and attitude to risk.

Flexibility

As well as allowing you to view your investments in one place, the flexibility of the Platform means you can record other assets such as the value of your property or any antiques you may have.

Ease of use

The Platform is uncomplicated and user-friendly. It takes the effort out of managing your finances (and completing your tax return) because you can access consolidated reports at the touch of a button.

Transparent charging

The Platform helps you clearly see the costs involved with any investment decision you make.

Control

The Platform gives greater control when it comes to making key investment decisions.

Your Platform access may depend on the ongoing servicing level you have agreed with us.

Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested.

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