Financial Viewpoint

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Become a superhero
We can grant you the power to do something amazing to help those you love.

Confused about pension planning?
37% of people contributing to their workplace pension don't even realise it.

Deadline to breadline
How long would your savings last if your income suddenly dried up?

First-time buyers: Boost your mortgage chances
How to make it easier to secure your first mortgage.

Helping you to save
An explanation of the government's latest savings initiative.

Home improvement
Stick to the jobs that will help to add value to your home.

How a trust can help your financial planning
We look at the three most common types of trust and why they're beneficial.

BECOME A SUPERHERO

IN THE EYES OF YOUR FAMILY

When he was younger one of my son's favourite questions was; *"if you could have any super power, what would it be?"* He loved the idea of being a Superhero.

I think, deep down, we all like the idea of being a Superhero. Being able to do things others can't; amazing things to help those around you.

Now I can't grant you any super powers (sorry) but I can help you do something amazing to help those you love. Best of all there's no need to be bitten by a radioactive spider, hit by a strange space mist, or hail from a different planet.

And there's no need to be a heroic billionaire looking to save the city with an arsenal of high-tech gadgets. No, your new super powers are just going to need a little money.

How do these powers sound to you?

- If you die unexpectedly for any reason your family has the mortgage paid off, or there's a lump sum available to help them out
- If you are struck down with a serious illness and need to take time off work, someone else pays the bills - and maybe they clear the mortgage too
- If you have an accident and break a bone (maybe whilst fighting crime?) someone pays money into your bank account to help ease the financial pain a little

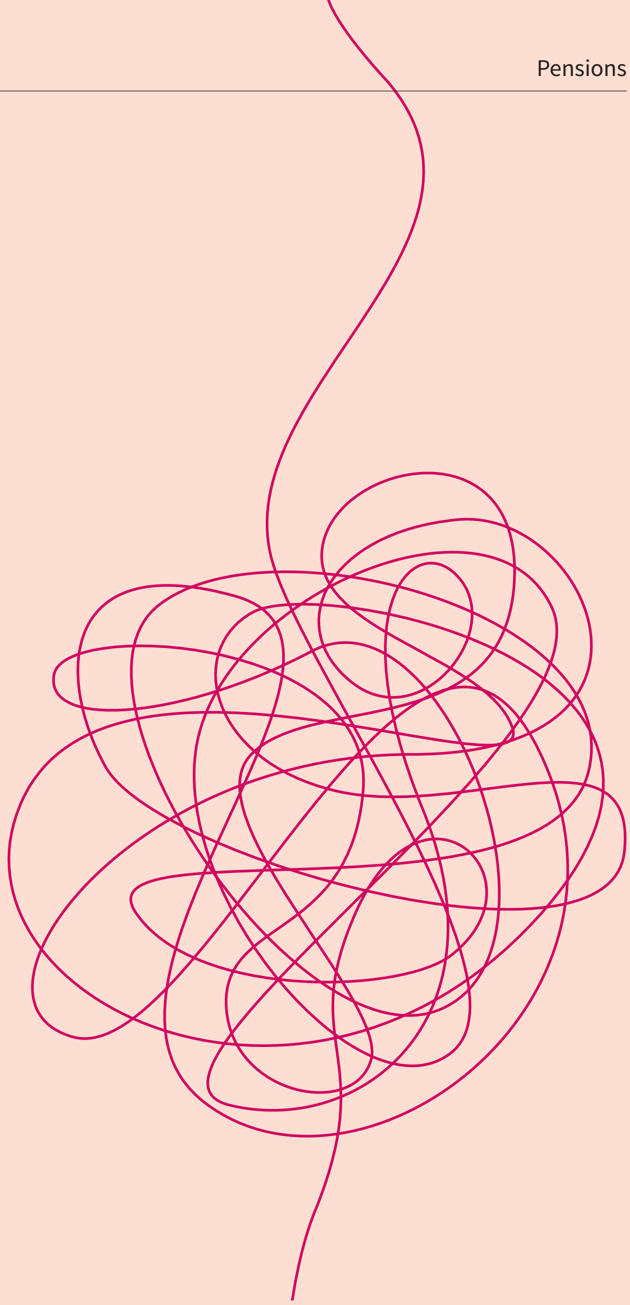
Now, I know it's not like you can stop a bullet, or run faster than the speed of sound, but they're still pretty useful powers for your family.

Best of all, there's no need to pay for them in one go. You can rent your super powers for just a little each month. In fact, you might be surprised how little it could cost to become a superhero.

To find out more about our range of personal and family protection insurance, please get in touch.

Please note - we can't guarantee any form of comic book franchise off the back of your new powers, nor can we promise your new powers will make you "cool" with your kids. We'd also not recommend actually trying to fight crime.

Confused about pension planning?



With more UK employees saving for their retirement than ever you could argue that Automatic Enrolment has been a success since its launch six years ago. However, research from the Office for National Statistics (ONS) has revealed that many people contributing to their workplace scheme don't even realise they're saving for retirement.

Auto enrolment emerged from the Pensions Commission back in 2005. It took effect in 2012, when it was made compulsory for employers to enrol their staff into a workplace pension scheme, and rolled out in phases. Figures suggest that just over nine million individuals are now newly saving or saving more for their retirement.

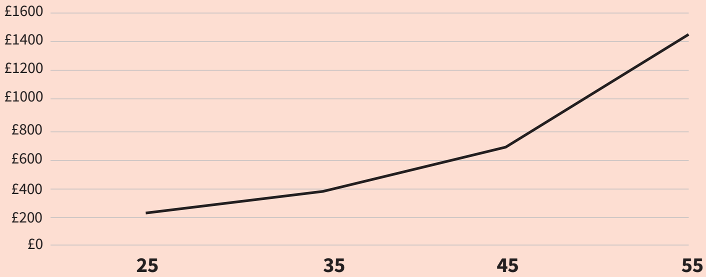
This is clearly a positive outcome of auto enrolment, but the ONS research has raised concerns that the 37% of those surveyed who didn't realise they were contributing to their workplace pension scheme could opt out - a risk which might be greater when the minimum contribution level for employees increases from 3% to 5% in April 2019.

So, do you know if you are saving in to a workplace pension? Even if you are, are you saving enough? Industry estimates for a comfortable retirement tend to range between £23,000 and £27,000 a year. A 25 year old employee earning £30,000 a year would need to save just under £300 a month to achieve the lower figure and you can see what effect age has on the amount you need to save in the graph below.

The simple fact is that the more you save and the earlier you start saving the better position you are likely to be in, subject to investment performance of course. The first thing to do if you're concerned about your pension planning is get advice.

Please give us a call and we'll help you get a clear picture and straightforward plan to put you on track.

What an individual would need to contribute each month to achieve an annual retirement income of £23,000



Age at which you start saving into a pension

According to the ONS

27% don't think they can afford to save for retirement

13% are put off because they think they don't know enough about pensions

7% think it's too early to start saving for retirement and 3% think it's too late

Those aged between 16 and 24 feel the least equipped when it comes to making decisions about their pension.

Deadline to Breadline

For its latest 'Deadline to Breadline' report, Legal and General surveyed 2,000 full and part-time workers to assess how long they could survive on savings if their income stopped due to serious, or long-term illness, or death. The rather worrying answer was 32 days.

The research also revealed that just over a quarter wouldn't have enough savings to last them a week and 30% of UK workers have no financial back-up plans whatsoever - despite the average household debt standing at around £4,600. This lack of preparedness would result in potentially serious financial exposure if things went awry.

UK Protection gap

L&G's research is important because it highlights just how many people could be gambling with their homes and their family's wellbeing, by not having a back-up plan. And when you consider that the average UK gross annual salary is £28,677, the support you could expect from the State is not sufficient to provide a reasonable safety net, especially if you are the sole breadwinner.

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Statutory Sick Pay can be paid for up to 28 weeks @ £92.05 a week

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Employment and Support Allowance @ up to £73.10 a week for the first 13 weeks then up to £110.75 after that (for a single person)

For less than the cost of a daily cup of takeaway coffee you can help protect yourself and your family and be in a better position to deal with the consequences that could occur from illness, accident, unemployment or death. That's why, when we talk to clients about protection, we talk about value, rather than cost.

How can you protect yourself?

If you have a mortgage or people who rely on your income it's important to take steps now to understand what would happen if your income suddenly stopped. If you have any existing insurance policies, check the details to make sure they reflect your current circumstances and would still meet your needs if you needed to make a claim.

If you don't have cover in place we can talk to you about a range of different types of protection insurance that would help to pay the mortgage and provide a financial lifeline for your family if you were temporarily, or permanently, unable to provide for them. This includes cover for serious and critical illness and income protection, which pays out a regular tax-free income if you're unable to work. We can also advise on a range of life insurance plans, including:

Term insurance - normally taken out to cover mortgage payments, these plans are the simplest form of life insurance and can be tailored to suit your budget.

Family income benefit – pays out a regular income as an ongoing lifeline for dependants.

Whole of life insurance - lasts as long as you do (or until you stop paying the premiums) and provides a lump sum on death.

With some types of life cover it's also important to consider writing the plan in trust. This is a legal document that allows you to determine what happens to the money after your death and can ringfence the pay out from inheritance tax.

Whatever your situation, advice is important to make sure you get the most value from your protection insurance. Please get in touch to find out more.

First-time buyers: Boost your mortgage chances

Applying for a mortgage and the admin that comes with it may seem like a stressful process but these few tips can help make the process easier.

To discuss your mortgage needs, please get in touch.

You've decided to take the plunge and get onto the property ladder, having swapped fun and frivolity for fastidious frugalness to save the deposit. But what can you do to boost your chances of getting your first mortgage?

Check and correct

The three main credit reference agencies, Equifax, Experian and Callcredit, will all use data to score you differently. Lenders will use one or more of these agencies to decide whether to offer you credit.

The general rule is, the higher your credit score the better, so if after checking you feel your score is low you can do things to improve it. For instance, if there are errors on your file you can write to the credit reference agency and ask them to add a notice of correction to your file. You should also check you're not linked financially to anyone, eg. an ex-partner or old flatmate. Their credit history could affect yours so make sure you've organised a 'disassociation' with the credit agency.

Address your address

Make sure all your bank accounts, any credit cards and loans are registered against your correct current address. Contact any financial institutions that hold incorrect information to update the details and take the opportunity to ask them to close any old and unused accounts.

You should also check you're on the electoral roll as lenders will use this as part of their identity checks on you. You can register for free at www.gov.uk/register-to-vote

Manage your money

As the proverb goes "look after the pennies and the pounds will look after themselves" and this is particularly true when thinking about applying for a mortgage. Lenders will look at your credit record and spending habits, so in the months leading up to your application make sure you pay all bills on time - set up a direct debit if this makes it easier to manage. Cut back on spending from any current accounts and on any credit cards. Try and stay out of your overdraft and don't apply for any new credit in the run up to your mortgage application.

Have your paperwork ready

Your lender will ask for a range of documents, including three months' bank statements and payslips, ID documents, proof of address, proof of bonuses etc. Get these up together in advance to avoid unnecessary delays in the application process.

Arrange an Agreement in Principle (AIP)

AIPs are offered by many lenders as a conditional offer of acceptance. If you have this in place in advance of your purchase it will give confidence to the seller and their estate agent that the sale will complete.

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

Helping you to save

Help to Save is a government savings account aimed at an estimated 3.5m people on low incomes. The scheme pays a bonus of 50p for every pound saved over four years, representing better value compared to the 1 - 2 per cent returns on savings bonds offered by high street banks.

Eligible savers can open an account using their ‘government gateway’ ID and pay in up to £50 each month over the four-year term. Once the four years are up, or the account is closed (if earlier) there’s no opportunity to use the scheme again.

Savings and bonuses

You could receive two tax-free bonuses over four years of the account being open; at the end of years two and four. The first bonus is based on the amount saved in the first two years, the second bonus will be calculated from the additional savings added during years three and four. The most you can save is £50 per calendar month, meaning over the four-year term the maximum savings pot is £2,400 attracting a total bonus of £1,200.

You can withdraw money from your account at any time and this will be paid into your bank account. However, depending on when and how much you withdraw you could lose your final bonus.

Eligibility for an account

To be eligible for an account, you must either:

— *Be entitled to Working Tax Credit and receiving Working Tax Credit or Child Tax Credit payments; or*

— *claiming Universal Credit and your household income in your last monthly assessment period was £542.88 or more*

You can apply for an account if you live abroad providing you are either a:

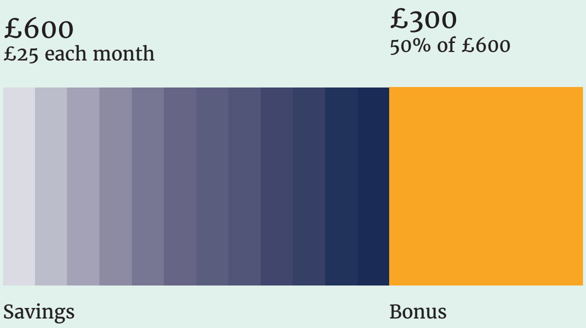
— *Crown servant or their spouse or civil partner; or*

— *a member of the British armed forces or their spouse or civil partner*

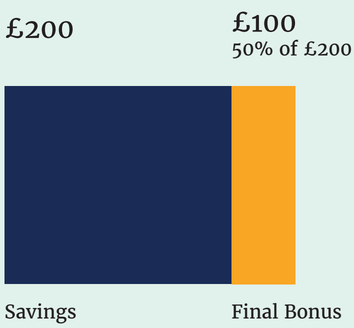
For information and advice on a range of savings and investments that suit your circumstances, please get in touch.

Example:

Year 1 and 2



Year 3 and 4*



*you can withdraw money in year 4 without affecting your bonus

You pay in £25 every calendar month for two years. You don’t withdraw any money, which means your balance halfway through the plan is £600. Your first bonus paid after two years is £300 (50% of £600).

Over years three and four you save an extra £200 to increase your balance to £800. You withdrew some money in year four but this doesn’t affect your final bonus which is £100 (50% of £200), paid at the end of the term.

Your savings plan closes with a final balance of £1,200 - you having paid in £800.

Graph for illustration purposes

Home improvement

Whether you're renovating your home because it's too expensive to move, or you've only just bought the place and you're keen to make your mark, it's important to stick to jobs that will add value rather than risk reducing its future sale price.

Before you embark on improving your home, follow our tips to help make sure you focus on jobs that will add value if and when you come to sell:

Check your deeds

There may be restrictions on what you can do and you may need planning permission - especially if the changes affect a boundary or your property's external appearance.

Avoid removing bedrooms

You may want to knock down a wall and convert that box bedroom into a large ensuite, but a three-bedroom semi-detached is naturally going to sell for more than a two-bed.

Be commercially-minded

Consider the neighbourhood you live in and the types of buyers likely to want to live there. Spending money re-landscaping your garden and laying turf and borders may not appeal to a younger professional couple who just want low-maintenance outside space for entertaining.

Avoid personalisation

Unless you are prepared to redecorate when you come to sell, try and use neutral colours on walls and doors. You can always introduce bold, bright or dark colours in soft furnishings and ornaments to achieve the effect you want.

Check the paperwork

If you're looking at a bigger undertaking such as converting your loft into a bedroom, make sure you have the correct paperwork and certification, otherwise the money you spend may not be realised in the sale price.

Hire a professional

Avoid a DIY disaster by only taking on projects you are confident you can complete.

Check your policy

If you're going to make any major changes to your home you should contact your buildings and contents insurance provider first to avoid unintentionally invalidating your policy. And make sure your policy covers you for accidental damage caused during your DIY efforts.

Top 10 DIY nightmares:

1. Woodchip wallpaper
2. Mirrored ceilings
3. Carpeted bathrooms
4. Ugly blinds
5. Fake beams
6. Outside toilet
7. Artex ceilings
8. Internal stone cladding
9. Beaded curtains in doorways
10. External stone cladding

Top 10 DIY dreams:

1. Interior redecoration
2. Flooring replaced
3. New bathroom
4. Garden makeover
5. New kitchen
6. New boiler/
   central heating system
7. Double glazing / new windows
8. New shed or garden building
9. Exterior redecoration
10. Better insulation

If you're looking to fund your home renovations please speak to us for advice.

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How a trust can help your financial planning

Writing a policy in Trust could be perceived as something that only the wealthy require, but the reality is Trusts can play an important part in financial planning for people from all walks of life.

When it comes to planning your family's financial future it makes sense to take all steps possible to help protect their current, and future, standard of living. As part of this, it's important to make sure any policies you have in place will pay out to those they are intended to benefit, and this could mean writing the policy in trust.

If you're thinking of putting a life policy in trust, please talk to us first. We can tell you which type of trust is most appropriate for your circumstances and help you put the trust in place.

Put simply, a trust is a legal arrangement that assets such as cash, investments and property can be transferred into, and a trustee or trustees appointed to look after on the policyholder's behalf. Trusts are usually straightforward to set up but it's important to select the right type of Trust and complete the documentation carefully.

The three most common types of Trust are:

Bare Trusts
Typically set up to pass assets to young people. When the beneficiary turns 18 (16 in Scotland), they can use the capital and income held in the trust in any way they choose. Bare Trusts are treated as Potentially Exempt Transfers (PETs) which means inheritance tax would be payable if the trust settler dies within seven years of setting up the trust.

Discretionary Trust
Here, trustees can make certain decisions about how the beneficiary uses the assets held in the trust. For instance, what gets paid out and to whom and how often payments are made. They can also impose certain conditions if, perhaps, they deem the beneficiary is not responsible or capable of dealing with the money themselves.

Interest in possession (IIP) Trust
Under this type of trust, a beneficiary is entitled to the income generated by the trust as it arises, which will be subject to income tax. They are unlikely to have any rights to the capital, which will pass to another beneficiary in the future. A common use of an IIP trust is for it to form part of the will of someone who remarries after divorce and wants their children from their first marriage to continue to receive financial support.

Despite the positive impact setting up a policy in trust can have on your financial planning, only 6% of life insurance policies in the UK are set up in trust, according to insurer Aegon.

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 Financial Conduct Authority does not regulate Trust Advice.

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