moneyworks

The essential consumer guide to making your money work harder.

Summer Edition

Is it time to review?

A look at the four key areas to look at if you are nearing retirement

Another new low for savers

Many people relying on their savings income are worse off than ever before.

Make your savings work harder

Many people assume that investing is all about a growth return.

A willing plan for your loved ones

What might happen without one.

anderson sinclair & co LLP

Welcome

Welcome to the summer issue of **moneyworks**, the quarterly consumer publication which addresses the current financial news and how you could potentially make your money work even harder.

In this edition we look at potential ways you might earn an income from your savings and the funds that could produce the most fruitful returns.

We also take a look at why, despite the fact Bank of England interest rates remain low, savers are continuing to get a bad deal on the high street and what the alternatives are.

Making a Will has always been a contentious issue for many but in this issue we look at just how important making one is to ensure your loved ones receive as much of your wealth as possible and your final wishes are met.

The importance of keeping on top of your finances in an ever busy lifestyle is often overlooked, but seeking financial advice has never been as vital as it is today. We take a look at four key ways you could potentially improve your financial situation by getting a review and why acting today could save you major headaches in later life.

We hope this latest issue of **moneyworks** continues to inform and advise you on the important issues affecting us all and we welcome your feedback and suggestions as to what you would like to see in future editions.

Best wishes

The **moneyworks** team

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Contents

The News in Brief

A round up of the current financial stories.

Losing interest

Almost one in four UK workers are pushing back their expectations over when they will retire – largely because of low interest rates.

The survey, conducted by Canada Life Group Insurance, revealed that 23% of employees now expect to work past 65 because their savings have been affected by the drastic fall in rates offered by banks and building societies. 8% did not want to work beyond 65 but have resigned themselves to doing so, whilst 16% had been thinking of working past this age already, but now feel they are almost certainly going to have to do so.

http://www.ftadviser.com/2016/05/17/opinion/blogs/seven-million-more-uk-employees-to-work-past-h0D204ZvBJ6eGcpVIDZ3bJ/article.html?utm_campaign=New+News+Bulletins&utm_source=emailCampaign&utm_medium=email&utm_content=

One third of 30-year-olds give up on their property dream

Everyone knows that it has become increasingly difficult for first time buyers to get onto the property ladder – and for people between the ages of 30-40, almost half have conceded it is unlikely they will ever make it.

The research, conducted by Yorkshire Building Society, also found that 31% in this age group have given up trying to buy a home due to reasons of affordability. Yet more than two-thirds of people aged 18-40 found feel that owning their own home is crucial to feeling that they had succeeded in life.

http://www.telegraph.co.uk/finance/property/12202644/Many-Britons-in-their-30s-doubt-they-will-never-own-their-own-home-poll-reveals.html

The £12,000 regional difference in annual pension income

The average expected retirement income for households who live in Scotland is £31 a day less than someone in London, according to research by Fidelity International.

After calculating the anticipated income taken from workplace pension savings, the state pension and other investments, Fidelity International found that Scottish households on average expect to receive an annual retirement income of £18,334 – which is almost £6,000 less than the average income of English households. Londoners expect an annual income of £30,001.

http://moneyfacts.co.uk/news/pensions/the-pension-postcode-lottery/

How big is your in-case-of-emergency fund?

It is a financial pain we have all experienced. Everything seems to be motoring along okay, but then something happens to cause a considerable and unexpected bill, leaving you with headaches over how you will cover it.

Research by Provident has found that, on average, we pay £548 per year on unexpected expenses. These "emergencies" typically crop up three times a year. Yet despite this frequency, 57% of us don't budget for this – either through our monthly income or by specifically saving for such scenarios.

As a result of these nasty surprises, 35% had to forgo holidays, and a further 15% even had to give up food or daily travel to cover the costs. Our cars are the main culprit, costing an average of £142 in unexpected bills, closely followed by pets (£54), unanticipated leisure activities (£58%) and homewares (£77).

http://moneyfacts.co.uk/news/savings/are-you-prepared-for-a-financial-emergency/

Average UK home on course to reach nearly half a million by 2030

Projections from estate agents eMoov suggest that the average UK home will be worth £450,000 in 14 years time.

eMoov calculated that house prices increased by a colossal 84% between 2000 and 2015. Based on this upwards trend continuing, in 2030 average England home values will reach £457,433, while in Wales they will rise to £307,712 and 297,222 in Scotland. In London, the average home will cost an eye-watering £1 million to buy.

12 other English counties would also have an average house price of more than £500,000 in 2030: Dorset, East and West Sussex, Kent, Essex, Berkshire, Surrey, Oxfordshire, Hertfordshire, Buckinghamshire, Cambridgeshire and Rutland.

https://www.emoov.co.uk/news/2016/05/16/the-house-price-of-the/

Four reasons to consider a financial review

We take a look at some of the key ways you could improve your financial situation

There are times when it can really pay off to pause, reflect on the health of your personal finances, and consider making changes that could improve your wealth.

Things in both your own life, and the wider world, can change in the blink of an eye. Without realising, your money might suddenly stop performing in the way you would like, or regulation changes could open up opportunities to take your finances to another level.

Here are fours reasons why it might be time to reflect, and to consider arranging to meet a financial adviser

1. If you've not reviewed your finances for several years

Our priorities change over time, but we don't always consider the impact this might have on our finances.

When it comes to your savings and investments, you need to regularly check how they are performing. Savings rates have fallen significantly over recent years, which might mean you need to keep less in these accounts and invest instead for long-term goals.

With global market conditions changing very quickly, you need to make sure your investments aren't adversely affected. Otherwise they might be under-performing without you noticing.

2. Is your money exposed to the appropriate level of risk?

Decisions over where and how to invest your money must be taken with your risk appetite in mind. That way, you're not left worried about adopting more risk than you are comfortable or able to take.

You also need to make sure that the level of risk you are taking continues to fit with your requirements. For example, if you are approaching retirement and have a pension investment, you might wish to reduce the level of risk it is exposed to in order to protect its value.

If you are many years away from requiring an element of your financial portfolio, you might be willing to adopt a higher level of risk with the objective of potential long-term gains.

3. If you're not aware of the pension freedoms

There continues to be a huge amount of confusion over the pension rules – even the Bank of England chief economist Andy Haldane admitted in May that he doesn't understand them.

In a nutshell: major changes came into effect in April 2015, which enable you full access to your defined contribution pension when you reach the age of 55. Previously you had to use up to three-quarters of your pot to arrange an income, but now there could be more flexibility with restrictions, this would be scheme specific.

This matters greatly, because it makes the prospect of investing into a pension a much more attractive one. There are significant tax relief benefits from paying in (although there are also tax considerations when withdrawing your money). With a careful financial plan, these rules could have a majorly positive impact on your future. Accessing pension benefits early may impact on levels of retirement income and is not suitable for everyone. You should seek advice to understand your options at retirement.

4. If you want to provide for your loved ones

Rising house prices, the spiralling costs of going to university, even getting married: for the younger generation today, it is increasingly difficult to fulfil life goals. The Bank of Mum and Dad is something that many young people rely upon these days.

At the other end of the spectrum, the cost of long-term care for older people is not cheap. If you have elderly parents who you anticipate requiring extra support during their later years, you might want to make sure you have suitable provisions in place.

If you want to be there for your loved ones, financially, it makes sense to start preparing for these milestones now. There are times where we all need a helping hand, and your loved ones would be forever grateful if they can turn to you.

http://www.ftadviser.com/2016/05/17/opinion/blogs/seven-million-more-uk-employees-to-work-past-h0D204ZvBJ6eGcpVlDZ3bJ/article.html?utm_campaign=New+News+Bulletins&utm_source=emailCampaign&utm_medium=email&utm_content=

Investments do not include the same security of capital which is afforded with deposits/savings accounts.

The value of investment may go down as well as up and you may not get back the full amount invested.

A willing plan for your loved ones

Having a valid Will in place isn't tempting fate – it's simply being sensible. It's an opportunity to make sure all of your affairs are organised, your loved ones get to retain as much of your wealth as possible, and that your wishes are carried out.

The fact it can be such a difficult issue to contemplate largely explains why many of us don't have a Will. According to figures from Will Aid Research, in 2015 more than half of the UK population (53%) don't have a Will.

Without a Will you will be classed as having died 'Intestate', which means the law – rather than you – would dictate who inherits your estate. This means that your spouse may only inherit the first £250,000, plus your personal possessions and half of the balance of the estate, and the remaining 50% of your estate may pass to your children. An unmarried or unregistered civil partner has no automatic right to your estate at all.

A Will is your opportunity to truly set out which items and possessions you would like people to inherit – removing all doubt. It reduces the risk of family members falling out. It can also assist with inheritance tax planning.

Other benefits include the ability to specify who will become the guardians of your children, the option to specify that certain mementos (such as a piece of jewellery) go to a treasured person, and the opportunity to leave money to a certain charity.

Keeping your Will relevant

Even if you have taken time out to arrange a Will, you need to keep considering if the instructions account for any changes to your circumstances. If, for example, you have been blessed with the arrival of grandchildren since you set up your Will, you may want to review it to ensure they are included too.

Other reasons to re-assess your Will include a divorce or remarriage. Other life changes – such as the acquisition of new assets that might impact on your inheritance tax liability – could also have an effect.

Will Aid found that more than 30% of people who have a Will have not reviewed it for at least three years – one in five have never revisited theirs. This is despite the fact more than one in four of people with a Will have experienced a change in circumstances which might mean their most recent Will is either invalid or no longer reflects their wishes.

How do I apply for a Will?

The first consideration is to determine the type of Will you need and the level of detail required. You can, for instance, pick up a do-it-yourself Will from a shop. It would just need to be certified for a small fee.

This type of scenario might be suitable if your instructions are simple. However, most people will find they require a greater level of support that comes from speaking to an expert, such as a financial adviser, solicitor, will writer or bank/building society – the costs of such services can vary.

There are so many advantages to seeking a greater level of service for organising a Will. It allows you to truly detail your circumstances, and what sort of provisions you might want to leave behind for your children or grandchildren. If you have a partner, a Mirror Will allows you to leave all your assets to each other, but also enables timely and efficient administration of the estate for specified beneficiaries.

Another benefit is that a professional could store your Will safely on your behalf. Will Aid found that 58% of us do not know where to find the Will of our nearest relatives.

[Source]
http://www.willaid.org.uk/press/research

Taxation and trust advice, deposit, national savings products and will writing are not regulated by the Financial Conduct Authority

Make your savings work harder

A look at how you might earn an income from your savings and the funds that offer a potentially stronger return

Up until a few years ago, many people – especially those approaching retirement – assumed that they'd be able to use their savings to supplement their income. Yet with interest rates having fallen to record low levels, this is far less likely to be the case. So what can you do instead?

For many people, the answer lies in getting their savings to work harder through investing. Whilst it is more common for investors to target growth on their money, there are also a wide range of income-producing investment funds, which can offer the potential for stronger returns.

These types of funds are more focused on generating an income stream to investors, rather than delivering growth. This might be achieved in different ways, such as investing into companies that pay attractive dividends.

If your priority for investing is to generate an income stream that can pay the bills or improve your lifestyle – rather than growing your wealth – and you are prepared to accept some form of risk, it's worth considering income-producing funds as an alternative way of potentially achieving more rewarding returns.

Like with any type of investing, you need to have the capital and the commitment to put it to use for a number of years. This means having alternative pots of money in savings accounts for short-term or emergency requirements, such as a surprisingly large bill.

A great advantage of an income-producing fund, compared to a growth investment, is you are receiving regular returns that can make a tangible difference to your life. As the level of income can vary, it shouldn't be something to wholly rely on for your absolute day-to-day essentials (like your bills or the weekly food shop), but it can help you to afford treats and luxuries like going on holiday or buying a new car.

The benefits of a balanced portfolio

There are different types of income funds available, with some involving your capital being invested solely into one asset class. You can benefit to a greater extent from this asset class performing well, but are more exposed during periods where this asset class is under-performing.

Alternatively, a multi-asset investment fund could prove a more rewarding way of achieving your desired level of income. This is where your money is invested into a range of asset classes – such as equities, gilts, bonds, cash and property – and an expert fund manager actively makes day-to-day decisions on your behalf over which holdings to buy, retain or sell.

A multi-asset fund can invest in, for example, 300 underlying stocks, meaning your investment risk is spread over many assets. So if one area of the portfolio is under-performing, another may still be delivering positive levels of income to boost overall performance although this is not guaranteed and the value of the overall investment may fall as well as rise and you may not get back the full amount invested.

> “Whilst it is more common for investors to target growth on their money, there are also a wide range of income-producing investment funds, which can offer the potential for stronger returns.”

Boosting your retirement

The 2015 pension freedoms have significantly boosted the popularity of income funds. Providing you have a defined contribution pension, you can now access your full pot from the age of 55 – and use it however you wish. Previously, most people had to use at least 75% to arrange a retirement income, which for many meant purchasing an annuity.

Yet without such a restriction – and with annuity rates having fallen significantly – many people who have acted on the pension freedoms have chosen to invest their pot into an income-producing fund, to use as an income in retirement.

Income-producing funds are risky and complex, so you should always seek financial advice before selecting one. That way you can benefit from an expert finding suitable options with your personal circumstances, and offering recommendations you'll feel comfortable considering.

Investments do not include the same security of capital which is afforded with deposits/savings accounts.
The value of investment may go down as well as up and you may not get back the full amount invested.

Another new low for savers

The Bank of England might continue to keep interest rates on hold – but that hasn't stopped savers from getting an increasingly worse deal on the high street.

Analysis by the BBC, in conjunction with Savings Champion and published in May, found there were more than 1,000 interest rate cuts in the past 12 months. In total they found that banks and building societies collectively cut the rates on 1,440 savings products over 2015, and 230 so far this year.

The average return from the five best easy access accounts has dropped from more than 3% in 2012 to under 1.3%. Meanwhile March figures from the Building Societies Association put the average instant access account offered by banks and building societies at just 0.46% – and that includes a bonus.

It's a really bleak picture for savers. The kind of savings deals that were available seven years ago simply can't be found anymore. What's even more troubling is that this situation shows very little sign of improving anytime soon.

What has caused this dramatic slump?

In a nutshell, the global economic crisis of 2008 and 2009 has had a long-lasting impact for savers. In an effort to address the wider issues brought on by the credit crunch, the Bank of England took the unprecedented step of cutting base rate to 0.5% in March 2009. It had never fallen so low in its long, 315-year history. Only six months before that, base rate had been 5%.

Low interest rates are great news for mortgage holders, and it has never been as cheap to borrow money to buy a home. But the repercussions for savers have been severe. Banks and building societies have continued cutting rates on their savings accounts. Many people, who do the right thing and carefully save their money, are understandably aggrieved to be penalised by such low returns.

And there is no end in sight – some commentators even suggest it might get even worse. Over the subsequent seven years since base rate fell so low, there has been speculation that rates would start to rise. But that is still to happen.

Over recent weeks there have been suggestions the Bank of England may cut rates further, potentially even taking them negative. That could result in banks and building societies charging savers to keep their money, rather than paying any interest. Although this is an opinion that is not shared with everyone including the Bank governor Mark Carney who is quoted as saying ''to protect the profitability of the UK's banks and building societies, the monetary policy committee (MPC) would avoid cutting from the current base rate of 0.5% to below zero.

Looking for alternatives

Many people have thousands of pounds stored in savings accounts, with some sort of objective ear-marked for them. But if they're not getting the interest returns they might have hoped for, there is a danger they will have to lower their expectations. If, for example, such money is planned to fund retirement, the impact of this could be severe.

Yet it doesn't need to be this way. If you have long-term objectives that are more than five years into the future, and you're prepared to accept some risk to your savings, investing your money could be a much more rewarding alternative route. This would typically involve stock market-related investments. It can be a less smooth journey with no guarantees, but over the longer period you would have a better opportunity achieving potentially stronger returns.

Financial advice is recommended. That way, you can benefit from an expert talking you through all the considerations, plus receive advice that is tailored to your needs.

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And finally....

Pension freedoms spark £900 million windfall for the taxman

Thousands of over 55s might have experienced a huge tax shock over the past year – and it's important other people don't similarly trip up.

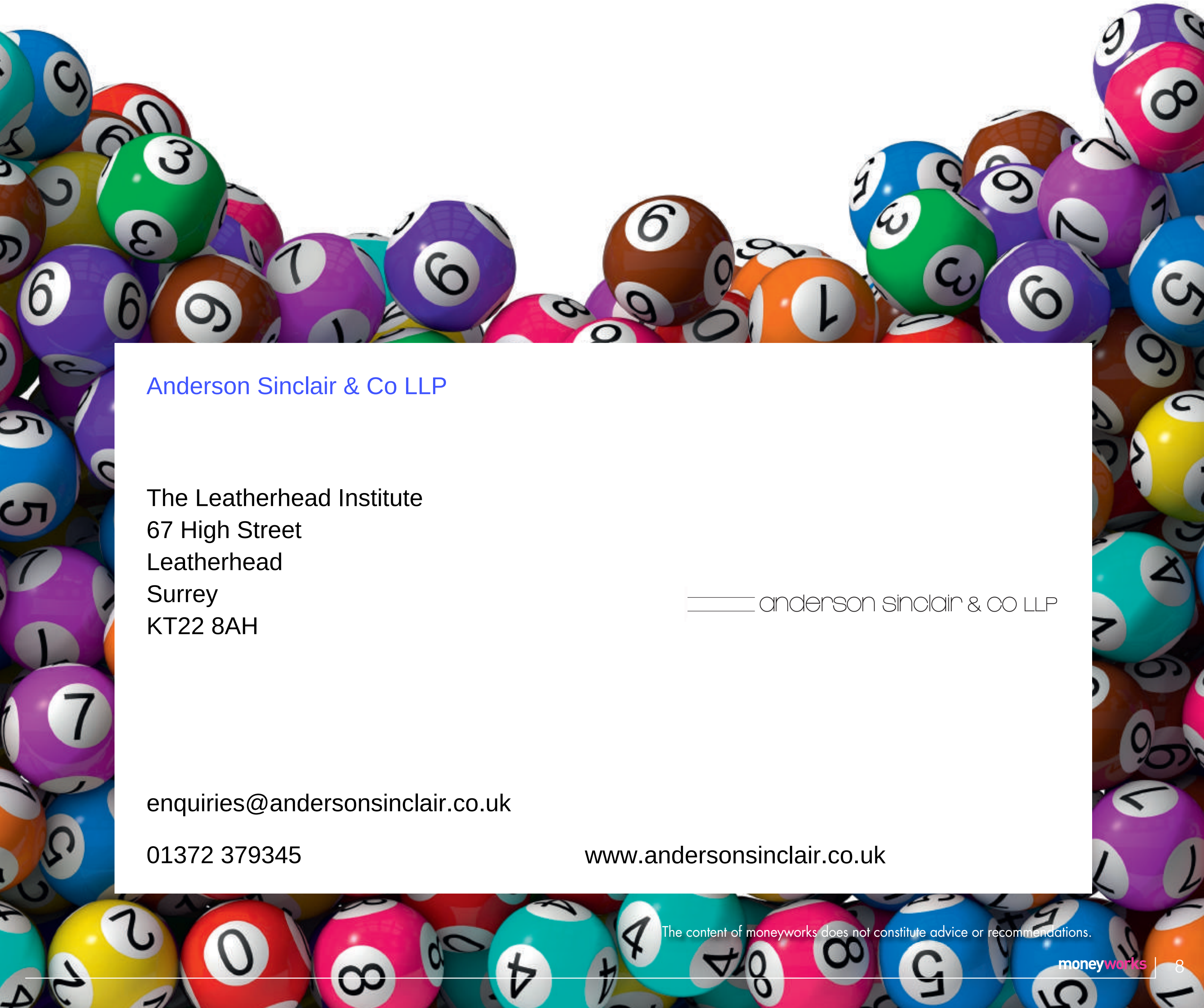
Figures from the Financial Conduct Authority, for the first tax year since the pension freedoms were introduced, revealed that almost £900 million of money withdrawn from pensions ended up in the hands of the taxman. That's almost a third more than had been expected.

Whilst the pension freedoms allow you to withdraw your entire defined contribution pension from the age of 55, only 25% is tax-free to access. The rest is treated as taxable income and charged at your highest marginal rate.

If, for example, you are still in employment and earning a taxable salary, any pension withdrawals are added on top of this. In some cases, you could end up paying 40% or even 45% tax to receive parts of your pension – even if you're not a higher or additional rate taxpayer.

These figures suggest thousands have lost a large part of their pension savings to the taxman, underlying why a careful, considered plan is needed to avoid following the same path.

[Sources]
http://www.dailymail.co.uk/money/pensions/article-3514752/Taxman-sees-900m-windfall-thanks-pensioners-cashing-nest-eggs-new-freedoms.html



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