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INDEPENDENT FINANCIAL ADVISERS

YOUR MONEY

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REPAYING STUDENT DEBT

Whether you've just started university, or reaching the end of your studies, the time will come when you'll need to start to make student loan repayments.

Once your earnings reach £21,000 a year you'll repay your loan at a rate of 9% of everything you earn above that figure. After 30 years from the April after your graduation, if it hasn't all been paid off, the debt is automatically cleared. With students from the poorest backgrounds likely to accrue debts of £57,000 (including interest) from a three-year degree, it's likely that a significant proportion of students won't repay their loan in full.

It's worth remembering that student loans are different from other types of borrowing. A sensible way of viewing a student loan is to think of it as a 'graduate tax'. And like any other tax, you'll have to budget to make sure that you can make payments every month.

Whilst parents can often find they can't afford to provide financial assistance with education costs, many students now call upon the bank of Grandma and Grandad. Some grandparents find that by gifting money to their grandchildren, they can reduce their inheritance tax bill.

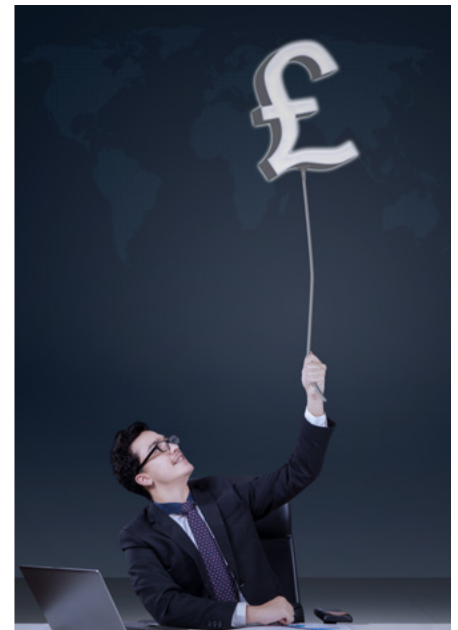
REAP THE REWARDS OF FINANCIAL ADVICE

Those people who took financial advice between 2001 and 2007 had accumulated significantly more in liquid financial assets and pension wealth by 2012–14 than their peers who chose not to take professional advice, according to a report by the UK think-tank, the International Longevity Centre, produced in conjunction with insurers Royal London. The report demonstrated that those who receive financial advice are on average £40,000 better off than those who don't.

The report entitled The Value of Financial Advice looked at the impact taking advice had on the finances of various defined groups of people. The report examines the impact of financial advice on two groups, the 'affluent' and the 'just getting by'. The affluent group comprised a wealthier subset of people who are more likely to have degrees, be part of a couple, and be homeowners. The 'just getting by' group was formed of less wealthy subset who are more likely to have lower levels of educational attainment, be single, divorced or widowed, and be renting.

The 'affluent but advised' group accumulated on average £12,363 (or 17%) more in liquid financial assets, and £30,882 (or 16%) more in pension wealth than those who were affluent but hadn't received advice.

For the 'just getting by but advised' category a similar picture emerged. This group accumulated on average £14,036 (or 39%) more in liquid financial assets, and £25,859 (21%) more in pension wealth than those who were just getting by but not advised.



These findings make a clear case for taking financial advice, and quantify what this could mean in monetary terms. Sadly, many people who buy complex investment, insurance and pension products don't take the hugely important step of asking a financial adviser for help before making their decision.

TAKING GOOD ADVICE

Getting a good mortgage deal, taking out the right pension plan, or investing wisely for the future are just some of the areas where financial advice can help you make the right decisions for your money.

So, if you'd like help with life's important financial decisions, or feel that you could benefit from an assessment of your current circumstances and would like help devising a comprehensive wealth plan or your future, then do get in touch, we're here to help.

The value of investments and income from them may go down. You may not get back the original amount invested.

LIFE INSURANCE – MILLENNIALS LISTEN UP

Today's 18 to 35-year-olds are having a tough time in comparison with previous generations. With employment prospects likely to be less certain for millennials it's realistic that they could have a number of different jobs during their careers. The traditional life stages, such as owning a home and having a family, are generally being reached much later. With property prices high and wages relatively stagnant, millennials often find themselves postponing these big decisions until they are well into their 30s. Property rental is a growing trend across all age ranges, with 8.5 million people opting to rent in the UK today.

The traditional stages of life that served as prompts for previous generations aren't occurring. Ultimately this means that millennials are less likely to be considering life insurance.

REASONS TO ACT NOW

The reasons to be thinking about life insurance are numerous and compelling. Signing up for life cover at a younger age could make a huge difference to the affordability of premiums. The older you are at the start of your policy, the higher the premiums are likely to be.

Rising personal debt is another good reason to start thinking about a protection policy. Young adults are often burdened with student loans, credit card debts and personal loans. By arranging life cover there would be funds available if the unexpected were to happen. This would ensure that family members wouldn't need to worry about your debts.

OTHER TYPES OF COVER WORTH CONSIDERING

There are two other types of insurance cover that millennials should think about, income protection and critical illness. Income protection replaces a percentage of your income should you become ill or unable to work for longer than the 'deferred period'. It means you can continue to pay your bills until you are able to return to work. Critical illness cover pays out a lump sum if you are diagnosed with a serious illness, as defined in the policy.

TACKLING THE UK'S SAVINGS GAP

An ageing population poses considerable issues for any economy. Nowhere is that truer than here in the UK. According to the World Economic Forum (WEF), the UK should be preparing right now for a workforce composed of 80-year-olds and be imposing faster rises in pension age to avoid a £25tn pensions savings gap from opening up.

The WEF has likened the global pensions crisis to the threat of climate change in its capacity to have a major impact on the lives of many people.

The causes of the gap aren't hard to find: falling birth rates, an ageing population and a widespread disinclination or inability to save, head the list. The gap is defined as the shortfall in the amount of money needed by a pensioner to maintain their income at a figure equal to 70% of their pre-retirement earnings. If pensioners haven't accumulated enough money in their workplace, private and state pensions, then the gap will widen further.

Interestingly, the WEF report said that the UK's lifetime allowance, which caps tax relief on pension contributions, should be scrapped as it was in danger of sending the wrong signal by encouraging the belief that there is only so much you should contribute to your pension.

PENSION PLANNING

Retirement should be enjoyed rather than endured. Whatever age you are now and however near or far away from retirement you may presently be, you are strongly advised to keep your retirement plan under regular review, and to contribute as much as you possibly can to your pension throughout your working life.

Here are three simple steps that will help you avoid falling into the pensions gap:

- Speak to us about arranging a regular review to ensure your retirement plans remain on track
- Consider topping up your contributions whenever your financial circumstances allow; remember, within limits, they attract valuable tax relief
- Know your state pension age and get a forecast of how much you'll receive.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

SAVERS KEEN TO OPEN LIFETIME ISAs

The Lifetime ISA, or LISA as it's often referred to, is beginning to catch on with savers after a slow start. Four months after its launch this April, 28,000 people had opened the cash version of the account, and early indications are that the stocks and shares version is proving equally attractive.

LISAs were promoted as being innovative, and they certainly have a lot to offer. They give savers aged 18 to 40 a chance to start saving tax-free either for a first-time property purchase or for their retirement, in a cash account and/or by investing in stocks and shares.

For those who hold their LISA for the maximum allowable number of years and contribute up to the annual limit, this could mean they would qualify for total bonuses worth £32,000.

The added attraction is the generous bonus of 25%, meaning that for every £4 saved, the government will add £1. Any savings put in before your 50th birthday will receive the 25% bonus from the government at the end of the tax year. The bonus can be claimed either when the account is used for a qualifying property purchase, or when the account holder reaches 60.

There is no maximum monthly contribution; savings can be as little or as much as you like up to the annual limit of £4,000, though they count against your overall £20,000 annual ISA allowance. For those who hold their LISA for the maximum allowable number of years and contribute up to the annual limit, this could mean they would qualify for total bonuses worth £32,000.

ADVANTAGES

For any would-be first-time buyers who aren't planning to buy in the next 12 months who could use a 25% bonus, a LISA should be on their shopping list. Pension savers who may find themselves caught by the Lifetime Allowance pension cap could use a LISA to supplement their pension savings, as could those who pay higher rates of tax and have already hit their annual pension contribution allowance. Non-earners saving for retirement can benefit from the government bonus, tax-free growth and no tax to pay when the LISA is cashed in at 60.

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PENSION FREEDOMS – MAKING THE RIGHT CHOICES

The Financial Conduct Authority (FCA) recently reviewed the actions taken by pensioners who chose not to receive advice when accessing their pension pots. Their review flagged up several areas of concern.

NEW NORMS EMERGING

The report highlighted that accessing pension pots early had become the 'new norm', and that intervention might be needed to ensure that the pensions market continued to operate efficiently.

The study found that in more than half of the cases where all the money was taken out of a pension pot, the cash was not spent on purchases like cars or holidays, instead it was moved into other forms of savings or investments. Pensioners who took this course of action could risk paying too much tax, losing out on the investment growth they could have enjoyed if they had left the money invested in their pension fund, and in some instances, lose other benefits too.

Earlier this year, it emerged that the reforms had raised five times more tax for the Treasury than originally forecast, suggesting that people were withdrawing larger sums than had been expected.

CASH WITHDRAWALS

The FCA report found that almost three-quarters (72%) of the pots accessed since the introduction of the new rules were held by people under 65. Most are choosing to take lump sums rather than a regular income. Meanwhile, more than half (53%) of the pots accessed had been fully withdrawn.

DRAWDOWN

Before the introduction of the pension freedoms, 5% of drawdown plans were bought without seeking advice, but since the introduction of the new rules, this figure has risen to 30%. Drawdown can be complex in its operation, so taking guidance that takes full account of your financial circumstances can help ensure that you make the right decisions about your retirement income.

If you could use some advice to make the most of the pension freedoms, do get in touch.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

STATE PENSION CHANGES LEAVE MILLIONS OF WOMEN WORSE OFF

Over one million women are now worse off by an average of £32 a week due to changes made to the state pension, according to recent research by the Institute for Fiscal Studies. The study identified that the phased increase in the state pension age for women was saving the government billions, but having a significant effect on household incomes. A large number of the affected women are worse off each week by the full amount of their previously forecast state pension.

CONTINUING TO WORK

As a direct result of the changes, many women have remained in work. However, the research highlights that the extra wages earned by those who have remained in work, have only partially offset the potential pension income they would have received.

So basically, many women are working when they weren't expecting to be and are still worse off than if they had received the state pension to which they were told they would be entitled – until the changes were initiated at short notice a couple of years ago. The campaign group Women Against State Pension Inequality (WASPI) was created as a result of this situation.

WHY INCREASE THE SPA?

The state pension age (SPA) was increased by the government in response to the challenge the public finances face in paying pensions for longer as life expectancy increases.

A spokesperson for the DWP (Department for Work and Pensions) commented: *"Women retiring today can still expect to receive the state pension for over 24.5 years on average – which is more than any generation before them, and several years longer than men. By 2030, more than three million women stand to gain an average of £550 per year as a result of the new state pension."*

THE IMPORTANCE OF TAKING ADVICE

Approximately seven million people in their late 30s and 40s are likely to be affected by planned further rises in pension age, to 66, 67 and eventually 68, affecting both men and women. As a result it's particularly important that younger workers are aware and plan accordingly.

In the UK, a massive number of people rely on the state pension to supplement their retirement income. So, if the change in pension age is likely to affect your finances, getting good advice as early as possible in your working life will help you get a full picture of the amount you will have to live on in retirement.

Careful pension planning throughout your working life can help ensure you have a financially-comfortable retirement.

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DON'T BE CAUGHT BY THE LATEST ONLINE SCAM

Financial commentator and TV presenter Martin Lewis has been quick to condemn a fake advertisement that claimed he had made money out of a risky form of investment known as 'binary trading'. He hasn't invested in this type of scheme, and would never recommend it to others, particularly as it isn't regulated by the Financial Conduct Authority.

WHAT IS BINARY TRADING?

Binary options are simply a form of fixed-odds betting that involves placing bets on whether the price of something will rise or fall below a certain amount. So, those sucked into these schemes aren't buying or selling the gold, oil or stocks or other commodities involved, simply betting on whether the price will go up or down over a given period, often as little as five or ten minutes.

Binary option traders often advertise on social media. They provide links to professional-looking websites that tend to be based outside the UK. Some scammers claim to have a UK presence, often a prestigious central London address. Many of these sites suddenly close customers' accounts and refuse to pay back any money.

It is important to take professional advice before making any decision relating to your personal finances.

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Tax treatment is based on individual circumstances and may be subject to change in the future.