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# INVEST SOUTHWEST

INDEPENDENT FINANCIAL ADVISERS

## YOUR MONEY

WINTER 2020

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### TAX YEAR END REMINDER

Remember the 2019–20 tax year end is

**5 April 2020**

Make sure you use your allowances in good time

## GET YOUR FINANCES ON TRACK IN 2020 WITH THESE HEALTHY HABITS

After the excesses of the festive season, many people are looking to get fit and shape up for the New Year. Of course, improving your lifestyle is a worthy goal, but don't forget that it's also a perfect time to whip your finances into shape. So, as well as hiring a personal trainer, why not focus on getting your finances looking as healthy as possible?

While a financial makeover might not seem like the most thrilling resolution, putting robust plans in place now will put more money in your pocket in the long term.

### FINANCING YOUR FUTURE

When you think about your goals for the years ahead, you'll probably find that a healthy financial situation will be key to achieving most of them. Whether you want to buy a home, go travelling, save for retirement or gift money to

your children or grandchildren, you'll want your finances to be in tip-top condition. So, sitting down and working out how much money you'll need to fund your plans will help turn vague aspirations into concrete goals, which you will then stand a much better chance of achieving. We can help with this.

### REASSESS YOUR PROTECTION POLICIES

If the worst were to happen, you'd want your family to be well provided for. The New Year is a good time to take stock and review your protection policies, to check you still have the right level of cover for your changing circumstances.

### PUT YOUR PENSION FIRST

With so many financial priorities to juggle, you're far from alone if you're struggling to prioritise your pension. However, the earlier you start, the better chance you'll have of enjoying a comfortable and fulfilling retirement – so now's the time to increase the prominence of your pension in your financial plans and benefit from the tax relief available on your contributions (within limits).

### MAKE YOUR MORTGAGE WORK FOR YOU

It's likely that your mortgage is your biggest monthly outgoing, so savings here could make all the difference. If it's a while since you took out your mortgage, considering your options is vital in preserving your hard-earned money. Cost reductions made here could be deflected to your savings or pension.

### LET'S TALK TAX-EFFICIENCY

As the end of the tax year approaches, don't forget to take advantage of any remaining ISA or Junior ISA allowances to build up your, your children's or your grandchildren's savings as tax-efficiently as possible.

### KEEP US IN THE LOOP

When your circumstances change, your financial goalposts are also likely to shift – which is why it's important to keep us informed. For example, you may have remortgaged, received an inheritance, had a pay rise or got married or divorced. Keeping us updated about events such as these means that we can recalibrate your goals and keep you on track for financial success – and a Happy New Year!

**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. The value of investments and income from them may go down. You may not get back the original amount invested. As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.**

# SANDWICH GEN – FINDING TIME TO THRIVE

First coined in the 1980s to describe adults ‘sandwiched’ between a dependent child and an adult relative requiring care, this group now represents a major part of the UK population, with almost four million people in the sandwich generation<sup>1</sup>. Undoubtedly as a consequence of an ageing population and delayed parenthood, a growing

number of people are left sacrificing their time, wellbeing and finances in order to care for those around them.

## CHALLENGING TIMES

A fundamental problem facing this generation is that the dual challenge of caring for younger and older relatives can leave them unbelievably time poor. It has become a way of life for this group to focus on surviving rather than thriving. Indeed, research suggests nearly half of this group devote under 35 minutes a day to themselves.

## PLANET ‘PLAN IT’

Although it may seem unnatural for the sandwiched to think about their own needs, it is vital they do so. To secure financial stability, diligent planning is essential. Make retirement provision a top priority. Seeking sound professional advice and developing an effective financial plan is arguably more important for the sandwich generation than any other group.

<sup>1</sup>Aviva/YouGov, March 2019

## IN THE NEWS...

### DOING ONE SIMPLE THING COULD SAVE YOU THOUSANDS

Pension savers could lose up to £10,000 by forgetting to update their default retirement age with their pension provider<sup>2</sup>, insurance firm Aviva has cautioned. This is due to a process called de-risking, whereby your pension provider moves your money from higher to lower risk funds as you approach retirement. As higher risk funds typically offer higher returns, you could lose thousands of pounds if the de-risking process is triggered early (e.g. because the default age on your pension scheme is set at 63 rather than 68). It’s important to keep this updated.

### GRANDPARENTS – WORTH THEIR WEIGHT IN GOLD!

Childcare is a major expense for many families. It comes as no surprise then, that many parents are turning to their own parents for help. Research<sup>3</sup> highlights that a massive 85% of grandparents offer some kind of support with childcare, spending an average of eight hours a week taking care of their grandchildren. This helping hand is saving families a startling £22 billion per year – an average of £4,027 per family.

<sup>2</sup>Aviva, 2019

<sup>3</sup>SunLife, 2019



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## RIISING TO THE CHALLENGE OF UNIVERSITY

It's now widely accepted that university isn't the only path to rewarding and satisfying employment. Both vocational training and apprenticeships feature amongst other routes available to youngsters today. In addition, let's not forget those who choose to enter a workplace direct from school and embark upon a successful career.

Although equality of opportunity may still have some distance to go, it's heartening to see increasing numbers of able youngsters from what are classified as deprived areas of the UK, now applying for university places. Figures from the Universities and Colleges Admissions Service detail the extent of this trend. UCAS commented: "In England, the number of young people applying from the most deprived areas has increased 6% to 38,770. In Scotland, young applicants from the most deprived areas have grown by 3%. In Wales, applicants from the most deprived areas remained at 1,390<sup>4</sup>".

The data details that across the spectrum in the UK, 39.5% of 18-year-olds in England made a UCAS application, a new record. In Scotland the rate was 32.7% (not including Scottish further education college undergraduate applications), in Northern Ireland the rate was 46.9%, and Wales 32.9%.

### LENDING A HAND

With tuition fees and accommodation costs met by most students (assistance may be granted in some cases UK-wide and for eligible students from Scotland), planning ahead for university costs is vital and can be more effective if parents and wider family are involved, the more the merrier!

The sooner university saving commences the better, for example, investing in a Junior ISA (JISA) every year (2019–20 annual limit £4,368 per child) would provide a useful sum, accessible at age 18. We can advise you on JISAs and other savings and investment products to enable family members to help with the cost of university and life beyond, whilst also rising to the challenge of providing for your own needs, now and in the future.

<sup>4</sup>UCAS, July 2019.



## BALANCING PENSION POTS

While the gender pay gap is now widely discussed and publicised, the gender pension gap is less prominent, but by the age of 50 women have saved an average of just £56,000 into their pension pots vs £112,000 for men<sup>5</sup>.

### THE GAP STARTS AT BIRTH

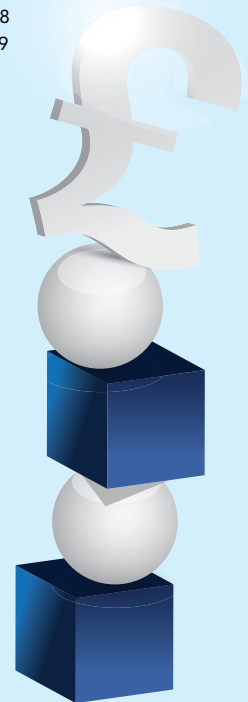
HMRC data shows that the gender pension gap begins at infancy. According to recent statistics, parents or grandparents paid money into a pension for 13,000 girls in the 2016-17 tax year, compared with 20,000 boys<sup>6</sup>.

### WHAT YOU CAN DO

Starting to save for your son or daughter, grandson or granddaughter as soon as possible, is a great discipline. An early start to saving can make a huge difference to the size of the pension pot down the line. If you'd like to find out how much you can pay into a pension on behalf of a child, or explore which plan might best suit their needs, we can help.

<sup>5</sup>Aegon, 2018

<sup>6</sup>HMRC, 2019



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## LIVE FOR THE DAY (BUT PLAN FOR TOMORROW)

A recent survey from the Pensions and Lifetime Savings Association has found that 77% of savers don't know how much money they'll need in retirement, demonstrating a need for clearer guidance to help savers to engage with their pensions<sup>7</sup>.

### HELP IS AT HAND

Recently, the PLSA published its Retirement Living Standards, which outline three levels of annual expenditure that retirees would need to attain three different standards of living in later life.

The Standards demonstrate what a 'minimum', 'moderate' and 'comfortable' lifestyle might look like (e.g. what a person or couple might be able to afford in terms of holidays, social activities and other luxuries), and the estimated yearly income required for each. For single people, around £10k would be needed for a 'minimum' lifestyle, £20k for a 'moderate' retirement and £30k to be 'comfortable'. For couples, the figures increase to around £15k, £30k and £45k, respectively.

### A NEW INDUSTRY STANDARD?

The PLSA's vision is that 90% of active savers will belong to a pension scheme that includes the Standards in communications with its members by 2025.

### LOOK TO THE FUTURE

If you are unsure about how much you should be saving to live comfortably in retirement, or need assistance to plan for the future, please get in touch.

<sup>7</sup>PLSA, 2019

## SELF-EMPLOYED? GET YOUR PENSION WORKING FOR YOU



Being your own boss, a better work-life balance, tax deductible expenses and having the flexibility to choose your working hours are just a few of the many benefits to being self-employed. However, when it comes to pension provision, the hordes of self-employed people in the UK are finding themselves disadvantaged.

Although almost three quarters (74%) of self-employed people believe it's important to save for retirement<sup>8</sup>, just 24% are actively contributing to a pension. More guidance on funding their retirement would be welcomed by over half (55%) of respondents, suggesting they lack the knowledge and confidence to plan for the future on their own.

### AUTO-ENROLMENT – EXCLUSIONS APPLY

Over 10 million employed people are now automatically enrolled in a workplace pension scheme by their employer, but unfortunately no such option is available for the self-employed<sup>9</sup>, a major reason why so few self-employed people are currently contributing to a pension.

### PEACE OF MIND

If you are self-employed and want to save for your retirement, but don't know where to start, professional advice can help provide peace of mind and boost your confidence about the years ahead. We can support you to find the pension plan that best suits you, to secure the financial future you deserve.

<sup>8</sup>Nest Insight, 2019

<sup>9</sup>The Pensions Regulator, 2019

## PROTECTING ALL YOU HOLD DEAR IN 2020 AND BEYOND

**We can help you find the right protection for your needs this year and beyond, so you can be confident that you have the right plans in place to protect yourself, your family, your valuables and your home, should the worst happen.**

Insurance cover isn't just about a payout when you die, it can also provide you with valuable peace of mind in knowing that you would be able to cope financially if you were ill, had an accident, lost your job or your possessions or suffered damage to your home.

The great thing about insurance is that it comes in a variety of different forms and can protect you and your family against a variety of risks that may be ever-present.

Don't overlook the importance of having the protection you need. If you haven't got proper protection in place for you and your family, then you could be vulnerable if you faced one of life's unexpected crises. Get in touch to make sure you tick all the boxes in 2020.

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**IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.**

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

**Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only.**

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**Information is based on our understanding of taxation legislation and regulations. Any levels and bases of, and reliefs from, taxation are subject to change.**

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