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THE BENEFITS OF TAKING ADVICE AND ASSESSING YOUR RISK PROFILE

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MULTI-ASSET FUNDS – A GREAT WAY TO STAY DIVERSIFIED

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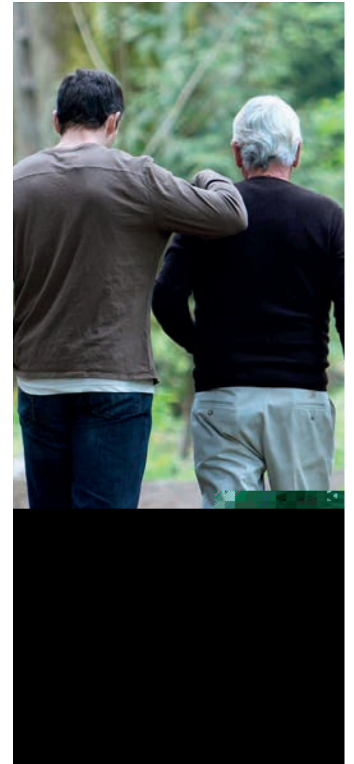

THE BANK OF MUM AND DAD FEELS THE PINCH

With property prices remaining high, many would-be buyers can find themselves priced out of the property market. So it's unsurprising that the Bank of Mum and Dad continues to be one of the UK's major sources of housing funds. Financial support can range from giving a small amount of money to help with things like fees and the costs associated with setting up a home, to providing the full deposit or even more.

Recent research[1] shows that although the Bank of Mum and Dad is still likely to lend more than £6bn to family members this year, helping out in over 315,000 property transactions, parents are starting to feel the squeeze. The survey, carried out by L&G, shows that the average parental contribution for home purchase will be £18,000, down 17% from last year's figure of £21,600.

Protecting their interests

Often dubbed 'the sandwich generation' because they are sandwiched between caring for their children and looking after their ageing parents, those parents in the squeezed middle have a lot of calls on their time and money.

Many find themselves looking after or arranging care for elderly relatives, whilst at the same time often feeling under pressure to continue working past their normal retirement date to help their children financially. This support can often include allowing grown-up family to live at home rent-free, or even helping to pay their day-to-day living expenses. The worry here is that in looking after others, they are neglecting their own financial needs, and not saving enough for a comfortable retirement.

Get advice before giving money away

Making sure that they have made sufficient provision for what could be over 20 years spent in retirement should be a financial planning priority for any parent. After all, retirement ought to be a period of relaxation and enjoyment, not a time spent worrying about money.

Giving away large sums of money can have tax implications, so getting advice makes good sense. If for instance you already own a home, and you choose to be the co-owner of your child's property, you could find yourself liable to additional rates of Stamp Duty, as you'd be buying a second home. Giving away more than your annual tax-exempt allowance of £3,000 could have inheritance tax implications if you were to die within seven years of making the gift.

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[1] Legal & General, the generosity of the Bank of Mum and Dad, May 2018

If you're making plans for your retirement and would like some professional advice, then please get in touch.

Tax treatment depends on individual circumstances. Tax treatment, rates and allowance are subject to change.

THE BENEFITS OF TAKING ADVICE AND ASSESSING YOUR RISK PROFILE

Many people make their first foray into investment on a DIY basis, perhaps based on advice from a friend, or after reading a report in the media. Over the years they may save in ISAs, or take out a personal pension plan, or dabble with investments without really having an overall investment strategy in mind.

However, when it comes to planning and investing for the future, perhaps for retirement, or to fulfil a life's ambition, getting financial advice can make a significant difference.

Having clear goals and assessing your attitude to risk
You really need to spend time considering what you want your money to achieve for you in the short, medium and longer term. This will provide you with an effective roadmap for your financial future. We can help you focus your mind to determine clear financial goals, helping you devise a realistic, achievable plan to turn them into a reality.

Putting your money into high-risk investments might not suit your temperament and could cause you sleepless nights if markets were to experience high volatility. Taking on too little risk could mean that you fall short of the financial goals you've set yourself. So assessing your attitude to investment risk is a top priority.

Choosing the right assets and reviewing them regularly
Obviously, it's impossible to take all the risk out of investing, but spreading your money across different types of asset can help avoid the dangers inherent in putting all your investment eggs in one basket. Different assets carry varying degrees of risk. With endless investment options available, we do the leg work for you.

Over time, your attitude to risk may change. We will be on hand to undertake regular reviews with you, picking up on any changes in your lifestyle that could signal the need to adjust the risk level of your portfolio and helping to ensure that your portfolio remains in line with your investment goals.

The value of investments and the income they produce can fall as well as rise. You may get back less than you invested.

HOW THE DIVIDEND ALLOWANCE CUT AFFECTS YOU

The £5,000 tax-free dividend allowance was cut to £2,000 from April 2018. This change will impact investors with portfolios that generate more than £2,000 of dividend income where the investments are held outside ISAs or pensions. This means that making full use of tax-efficient wrappers such as ISAs is likely to become more important for those investors who want to reduce their exposure to tax.

Making full use of available allowances
If you've taken full advantage of the ISA limit of £20,000, there are other strategies you can consider. If you're married and your spouse isn't using their ISA allowance, you can give assets to them without generating any type of tax charge. They can then put those assets into an ISA. If they aren't using their own dividend allowance, you could also give them assets that generate dividends up to that figure.

You could also hold dividend-producing investments within your ISA portfolio, and prioritise growth-targeted investments outside your ISA.

If you'd like to develop a tax-efficient investment strategy, do get in touch.

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BUY-TO-LET – NOT DEAD YET!

With house prices in parts of the country remaining high and the UK's housing shortage ongoing, many young people are failing to get on to the property ladder until they reach their early 30s. At the other end of the scale, more people of pension age are separating and becoming tenants rather than homeowners. This means that renting at any age has become much more mainstream.

This market opportunity was seized upon by buy-to-let landlords. However, investing in buy-to-let has changed a great deal over the last few years. Landlords have found themselves facing cuts in mortgage interest tax relief and changes in stamp duty on second homes. In addition, buy-to-let mortgages have become slightly more difficult to obtain since the introduction of new lending criteria by the Prudential Regulation Authority. However, many landlords are choosing to stay in the market as they view the returns they are getting as worthwhile when compared to other forms of investment.

New avenues being opened up

With the mortgage interest tax relief changes being introduced in stages until full implementation in 2021, some landlords are purchasing in, or transferring their properties to, a limited company as a means of lessening their tax burden.

Others are looking at alternative rental models, such as Houses of Multiple Occupation, where a property is rented out on a room-by-room basis to individual tenants. Using this model means a landlord can often charge a higher price per room in comparison to the market price of the whole property.

Whilst today's would-be landlords may be warier about entering the buy-to-let market, the fundamentals of investing in bricks and mortar remain strong. Commentators view the market as having undergone change, but very much alive and kicking.

HOW TO HANDLE FINANCIAL MATTERS WHEN A LOVED ONE DIES

Losing a loved one is a sad and traumatic time that also creates a host of financial complications that you may need to resolve. Finding their Will is an important step, as it will confirm who they appointed to act as their Executor to administer their estate, which includes settling any debts and passing the assets on to the beneficiaries.

It's the Executor's role to apply for a Grant of Probate, the official authorisation needed to deal with the deceased's assets. However, before this can be issued, the estate must be valued, any liability to inheritance tax calculated and some if not all of the tax paid.

Informing the authorities

When the death is registered, a death certificate will be issued. This is needed as proof by financial institutions and other companies, such as banks and insurers, and you may find it useful to buy extra copies to avoid waiting for the original to be returned each time.

There will be various government departments to inform. Depending on where you live, it should be possible to access the "Tell Us Once" service that enables you to report the death in one go. It will notify HMRC, inform the Department for Work and Pensions to stop benefits, and also ensure that the deceased's passport and driving licence are cancelled, and their name removed from the electoral role.

Don't forget you'll likely need to contact banks, credit card and insurance companies, utilities, telephone and broadband suppliers and satellite TV services too. You may also need to access assets held online, such as PayPal and savings accounts. Going through bank statements should help you track everything down.

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NEARLY HALF OF WOMEN TAKE CHARGE OF FAMILY FINANCES

Many women are assuming a greater role in managing their family's money. Believe it or not, before the introduction of the Sex Discrimination Act 1975, women were unable to take out a mortgage without a male guarantor. Fast forward to 2018, and women are nearly as likely as men to take control of the family's finances.

In many instances, women are now the prime movers when it comes to financial activities such as enquiring about mortgages or taking out credit cards. Research[1] shows that 47% of women are the primary breadwinner, and are also responsible for the household bills.

WOMEN ARE NOW THE PRIME MOVER WHEN IT COMES TO FINANCIAL ACTIVITIES

Attitudes to money differ

However, the latest Disposable Income Index shows that there is a marked difference in the level of confidence displayed by men and women when it comes to saving and investing. Less than one in three women say that they are very or extremely confident about managing their finances. When asked why they wouldn't put money into a stocks and shares ISA, the most common reason given by women was fear of losing money, followed by a lack of full understanding of the product. It's not surprising then, that a far higher proportion of men invest into stocks and shares ISAs than women. By comparison there is very little difference between the numbers of men and women putting money into cash ISAs.

Getting the advice you need

If you've been put off the thought of investing money, perhaps because the products seem complex, or you have concerns about exposing your money to risk, then working with us could help you put in place effective plans for you and your family's future.

[1]MoneySuperMarket

BELIEVE IT OR NOT, BEFORE THE INTRODUCTION OF THE SEX DISCRIMINATION ACT 1975, WOMEN WERE UNABLE TO TAKE OUT A MORTGAGE WITHOUT A MALE GUARANTOR.

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DON'T WAIT UNTIL YOU'VE RETIRED TO DRAW UP A BUDGET

If you've still got a few years to go until you retire, this could be the perfect time to think about how you'll manage your money once you stop working. One of the biggest concerns that people have is outliving their savings, so drawing up a budget will help you calculate how much income you're likely to have and what your outgoings are likely to be. That way, you'll avoid one of the biggest retirement mistakes that people sometimes make, which is spending too much too soon.

Patterns of expenditure
It's common for people to have higher expenditure in the first few years of retirement. Many people decide to travel or pursue leisure activities while they have the time, means and fitness to do so. Later in life spending patterns are likely to change, with more funds often needed to meet health and care costs.

A retirement budget will give you a clear picture of what your future income and capital needs are likely to be. It can help you take the right decisions about timing your retirement, such as calculating your likely income, depending on whether you choose to retire early or late.

Your budget is not a once-and-for-all exercise, it's a living document that should be regularly revisited to ensure that it reflects your changing situation. It can help you take a range of lifestyle planning decisions, for instance whether it would be financially beneficial to downsize at retirement, or help you assess when and how much money you can afford to pass on to your family.

PENSIONERS AMONGST THOSE OVERPAYING TAX DUE TO QUIRK IN HMRC SYSTEMS

The Making Tax Digital campaign, designed amongst other things to prevent instances of taxpayers overpaying and needing to wait until the tax year end in order to receive a refund, has been officially scaled back by HMRC due to Brexit requirements. However, the system changes made to date have thrown up some flaws.

In some instances, those receiving large bonuses early in the tax year have found that the system assumes that this amount will be received each month, vastly overestimating the person's annual income. Where the figure exceeds £100,000 this has resulted in a reduction or even elimination of their personal allowance.

Pensioners have been affected too. Under the changes, which were introduced in April 2015, those aged over 55 are able to take regular or ad hoc amounts from their defined contribution pension pots. A problem arises if someone were to make a large withdrawal in a single month, the tax system would then assume that this will be their income each month and would tax them on an "emergency rate". Many have consequently been hugely over-taxed due to this flaw. To make sure you're not paying more tax then you need to speak to us.

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HOW POCKET MONEY CAN HELP TEACH CHILDREN ABOUT SAVING

Pocket money can help children learn important life skills and become responsible about money and know how to manage it. You can teach your child about saving and encourage their self-discipline by helping them identify and work towards a savings goal.

Why open a Junior ISA?

This type of account is a tax efficient way to save for your child's future. Once the person who has parental responsibility for a child has opened the account, anyone can contribute to it, up to an annual limit (£4,260 in this tax year). This means that the child can learn more about money management by saving some of their pocket money and watching it grow.

As soon as money is put into the account, it's locked in until the child reaches the age of 18, at which point it becomes theirs, and they can do what they like with it.

In a strange quirk of the tax rules, children aged 16 and 17 can claim their adult Cash ISA limit of £20,000 plus their Junior ISA allowance of £4,260.

YOU CAN TEACH YOUR CHILD ABOUT SAVING AND ENCOURAGE THEIR SELF-DISCIPLINE

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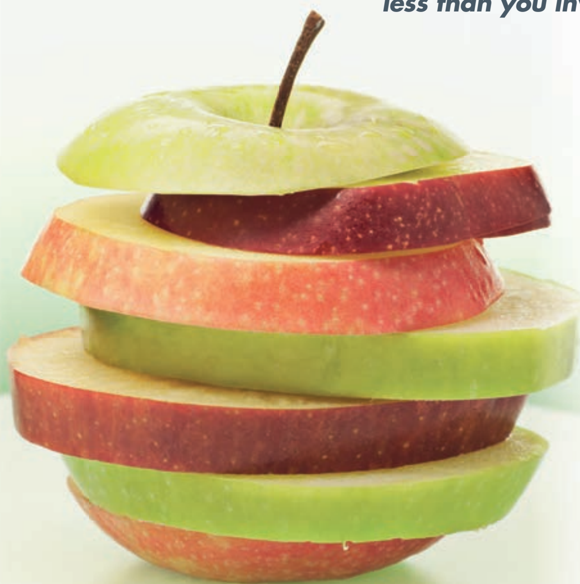
MULTI-ASSET FUNDS – A GREAT WAY TO STAY DIVERSIFIED

One of the key principles of good investment practice is diversification. In terms of managing your risk and exposure to market volatility, it really does pay to spread your investments.

Most investment experts support the view that diversifying the assets in your portfolio is an important factor in determining the level of return you achieve. However, if you've ever tried doing this yourself, it can be very difficult and very time-consuming to decide how best to balance your investments, and when and how you should respond to changes in stock market conditions.

Multi-asset momentum

Multi-asset funds that embrace a mix of investment types have increased in popularity over the past decade. The financial crisis led to greater consideration of investment strategies to reduce risk, as investors looked to pursue strategies to navigate inevitable market fluctuations. According to fund flows data from Morningstar, net flows into multi-asset funds reached a two-year high recently.



The allocation or weighting to each class of asset varies according to the objective of the fund. Increasingly, multi-asset funds are aligned to specific risk profiles, so they can be matched up to each individual investor's risk tolerance, for example risk averse, conservative, balanced, moderate, dynamic or adventurous.

By distributing investments through several asset classes, multi-asset investments increase the diversification of an overall portfolio, which reduces risk and volatility (the frequency and severity with which the market price of an investment fluctuates), when compared to holding just one asset class for example. At the same time, a multi-asset approach will diversify the potential return, sometimes reducing it. However, what's important to bear in mind is that multi-asset funds should not be used to maximise returns, but to maximise the opportunities for compelling risk-adjusted returns. So, expect returns aligned to your risk tolerance.

For the investor, the benefit of multi-asset funds is their simplicity and clearly outlined objectives, making them easy to understand.

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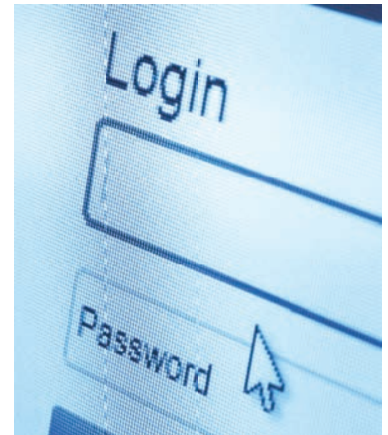

BRITS IN THE DARK ABOUT THEIR PARTNERS' FINANCES

According to a major insurer[1], over a quarter of British people don't know where their partner's money is banked or invested and a staggering 17% of people who have been married or in a relationship for ten years or more, wouldn't know how to locate their partner's assets if they were to die.

Although it can be a difficult subject to raise, talking openly about finances with your partner is a conversation worth having. As a couple, it's best to avoid a situation where only one of you understands your finances. A mutual understanding not only means you'll both know what you can and can't afford, it also means that if something were to happen to one of you, the other would have an idea of their financial affairs.

[1]Direct Line, 2018

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. Some rules may vary in different parts of the UK.