first for money

Morgans

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YOUR WINDOW ON FINANCIAL MATTERS

INSIDE THIS ISSUE

FINANCIAL ADVICE LEAVES PEOPLE £40K BETTER OFF

New research by the International Longevity Centre[1] and Royal London has produced some interesting findings that highlight the benefit of advice when taking major financial decisions. 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 first group was made up of the affluent who have more wealth, are likely to be homeowners, and be educated to degree level. The second group was made up of those who are just about managing, single, renting and less well educated. These groups were each subdivided into those who received advice and those who didn't.

'AFFLUENT BUT ADVISED'

This 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.

'JUST GETTING BY BUT ADVISED'

Here a similar picture emerged. This group accumulated on average £14,036 (or 39%) more in liquid financial assets, and £25,859 (21%) 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.

Throughout our lives, we are all likely to face the need to take financial decisions that can have a major impact on our wealth. Getting a good mortgage deal, taking out the right pension plan, or investing wisely for the future are all cases in point.

Comparing products that you know little about can be confusing, stressful and time-consuming. Working with us means that you'll be benefitting from informed advice, backed up by up-to-date market intelligence and years of practical experience.

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

[1] International Longevity Centre UK, Jul 2017

GROWING CONCERN OVER CAR LOAN DEBT

The rapid rise in the amount of money being lent as car loans has given rise to concerns that this form of lending could, if left unchecked, lead to the next financial crisis. The amount borrowed annually to buy new cars has trebled over the past eight years, reaching more than £30bn last year.

Nine out of ten new private car sales are now financed by personal contract plans, enabling those on low incomes and with poor credit scores to afford brand new cars. Under these deals drivers effectively pay an up-front fee and a monthly 'rental'.

The concern is that UK households are already carrying high levels of personal debt, meaning that if borrowers were to come under pressure from, say, rising interest rates or unemployment, repayment of these car loans would come under pressure too. The Bank of England has raised its concerns and the Financial Conduct Authority has placed the sector under review. A House of Lords committee has called for stronger controls on 'rent to own' deals.

This means that drivers can expect to face tougher affordability checks when applying for car finance in the future.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. There is no guarantee that taking financial advice means your investments will grow at a higher rate.

MILLENNIALS: DON'T OVERLOOK THE BENEFITS OF INSURANCE

Life can seem particularly tough for today's 18 to 35-year-olds. Their employment prospects are likely to be far less certain than those of previous generations; it's been suggested that they could have as many as a dozen different jobs during their careers.

As for owning a home and having a family, these life stages are being reached much later. With property prices high and wages marking time, millennials often find themselves postponing these major decisions until they are well into their 30s. Today, 8.5 million people opt to rent property, a trend that is growing across all age ranges.

So, all this means that millennials are less likely to be thinking about taking out life insurance. The traditional stages of life that acted as prompts for past generations aren't happening as they once did.

WHY TAKING OUT INSURANCE MAKES GOOD SENSE

However, there are some compelling reasons to think about life insurance. Signing up for life cover at a younger age could make a big difference to the affordability of premiums, as the older you are at the start, the higher the premiums are likely to be.

Rising personal debt is another major reason to think about a protection policy. Young adults can often be burdened with student loans, personal loans and credit card debts. Taking out life cover would mean that there would be funds available if the unexpected were to happen and would ensure that partners and family members wouldn't need to worry about your debts.

There are two other types of insurance cover that millennials should think about; critical illness and income protection. Critical illness cover pays out a lump sum if you are diagnosed with a serious illness, as defined in the policy. 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.

PENSION FREEDOMS – DON'T LOSE OUT!

In the first major study to be conducted since the introduction of the new pension rules in 2015, the Financial Conduct Authority (FCA)[1] reviewed the actions taken by pensioners who chose not to receive advice when accessing their pension pots. They flagged up several areas of concern.

COMMON MISTAKES

The FCA found that many people simply took the pension income drawdown that was offered by their pension operator, perhaps without realising that they would have been well within their rights to shop around to see if there was a better deal available from an alternative provider.

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 advice that takes full account of a pensioner's financial circumstances can help ensure that the right decisions about retirement income are taken. After all, retirement should be enjoyed and not endured; today's pensioners can look forward to several decades in retirement and no-one wants to face the prospect of running out of money later in life.

The report also found that in 52% of cases where pension pots had been fully withdrawn, the money hadn't been spent but had been moved into other savings and investments. Research by Citizens Advice showed that, in such cases, one in three put their entire pension savings into a bank account.

Pensioners who took this course of action risked paying too much tax, losing out on the possible but not guaranteed investment growth they could have enjoyed if they had left the money invested in their pension fund, and in some instances lost other benefits too.

MAKING THE RIGHT CHOICE

Today, pensions offer flexibility. However, freedom of choice brings with it the responsibility of making the right decisions. So, if you're approaching retirement and would like some good advice, get in touch.

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[1] FCA, Jul 2017

A FEW PERSONAL FINANCE FACTS WE ALL NEED TO KNOW

Knowing your numbers can do wonders for your money, helping you plan and manage your finances effectively.

YOUR CREDIT SCORE

If you're thinking about getting your first mortgage or remortgaging, then it's important to know your credit score. If it's not as good as it could be, take steps to improve it before you make your mortgage application.

THE RATE OF INTEREST YOU'RE PAYING ON YOUR MORTGAGE

As the monthly mortgage repayment is often a family's major outgoing, it's a good idea to review your mortgage from time to time, as there may now be a better deal to be had by remortgaging, especially if you're currently paying interest at your lender's standard variable rate.

YOUR STATE PENSION AGE AND HOW MUCH YOU WILL RECEIVE

The state pension age is increasing, so if you're not sure when you'll receive yours, you can check the date and get a forecast of the amount you'll receive on the government's website.

WHERE ALL YOUR PENSIONS ARE

If you've moved jobs a few times, the chances are you may have paid into several pensions. It's important to know what your entitlements are; we can advise you whether you'd be better off transferring them into one scheme to cut down on administration and charges.

HOW MUCH YOU CAN SAVE INTO YOUR ISA

The ISA allowance for 2017-18 is £20,000. Don't pass up this important opportunity to save or invest tax-efficiently. We can help you choose the right ISA for your needs.

WHAT THE SUM INSURED IS ON YOUR HOME CONTENTS POLICY

Don't risk being underinsured. If you don't insure your possessions for the right amount, you could find your insurance company will reduce your payout if you make a claim. It may be time to increase your sum insured in line with the value of your contents.

HOW EMPLOYEES CAN UNLOCK 'FREE' PENSION CASH

Millions of workers are spurning the opportunity to significantly boost their pension pots by failing to take advantage of 'free' matched contributions from their employers.

WORKPLACE PENSIONS GROWTH

Rules introduced in 2012 obliged companies, broadly in order of size, to begin automatically enrolling most of their staff into a workplace pension. And data from The Pensions Regulator[1] shows that 8.3 million employees now save for retirement via such a scheme.

The government sets a minimum percentage that has to be contributed into a workplace pension. This minimum level is currently 2%, split between the employer's contribution, the employee's contribution and tax relief. It will rise to 5% next April and 8% in April 2019.

For an individual receiving standard rate tax relief, every £1 pension contribution costs them 80p. If their employer matches the £1 contribution fully, each 80p saved by the worker actually generates £2 in their pension pot. This equates to a better than 'buy-one, get-one-free' deal.

POTENTIAL PENSION WINDFALL

However, some workplace schemes, particularly those run by larger firms such as Vodafone, Next, BAE Systems, Tesco and Royal Mail, provide a more generous option by 'matching' additional employee contributions beyond the minimum prescribed level.

Many workers, though, appear unaware they can contribute more than the minimum percentage or they simply choose not to do so. Either way, this failure to take advantage of additional matched employer contributions means a significant number of employees are missing out on a potential pension windfall.

Mutual insurer Royal London[2] conducted research to estimate the impact of these missing matched contributions. Based on a series of assumptions, their analysis suggests around 3.2 million employees in large companies are missing out on additional employer matching contributions worth £2 billion annually. This means that, on average, each employee is foregoing a potential pension top-up of around £650 per year.

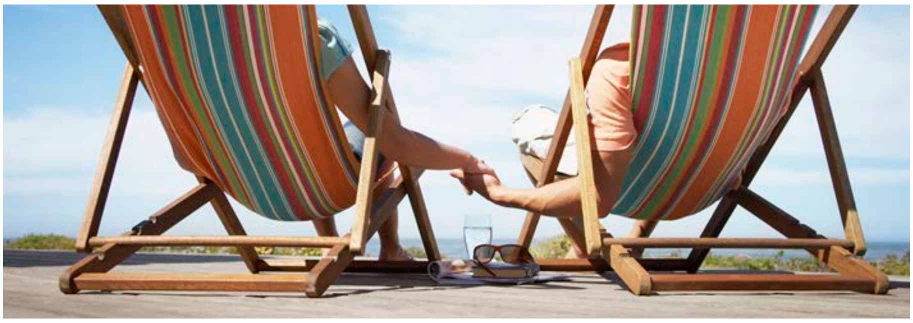
If you are a workplace pension scheme member you should find out if your employer offers additional matching contributions and, if so, seriously consider raising your contributions. Act now to ensure you're not one of the millions missing out on 'free' pension cash.

[1] The Pensions Regulator, Aug 2017

[2] Royal London, Jun 2017

PLAN NOW FOR A COMFORTABLE RETIREMENT

It's no secret that the pensions landscape has altered dramatically in recent years, with legislative changes giving people much greater flexibility when accessing their retirement income.



However, coupled with State Pension age changes and increased longevity, this pension freedom has heightened the need to plan ahead in order to enhance future financial security. A well-structured retirement plan is therefore imperative and there's 'no time like the present' to get started with one.

TEN YEARS TO GO…

Retirement may seem a distant prospect but careful planning now will shape your quality of life when you do retire. Things to consider include: the age you want to retire; how your living expenses and spending habits might alter and how much income you'll need in retirement; paying off debts before you retire; how you'll support any dependants when you retire and how you might pay for long-term care; the total amount you'll actually have saved in your pension pot and whether you have any other savings, investments or assets to draw on.

FIVE YEARS TO GO…

At this point it's important to ensure your goals are firmly on track. For instance, you should: consider increasing contributions and/or making lump sum payments to boost your pension pot and take advantage of any unused pension tax allowance; use the Pension Tracing Service to track down any lost pensions; request up-to-date statements for your pensions and obtain a State Pension forecast; check your savings and investments meet your attitude to risk as you approach retirement; consider part-time work options in order to phase your retirement; review or write your Will; discuss your options with a financial adviser.

SIX MONTHS TO GO…

This stage is concerned with checking you are retirement-ready and involves: informing your pension providers of your impending retirement so they can send information in plenty of time; reviewing your pension statements to get an accurate picture of each fund's value; updating your beneficiary information; organising a pre-retirement meeting with your employer and informing the taxman of your intention to retire; making an appointment with a financial adviser to ensure you receive sound advice on your retirement options.

TWELVE TO TWO WEEKS TO GO…

You're now rapidly approaching retirement so it's important you have all the information you need to make your final decisions. Tasks at this point include: speaking to a financial adviser to consider your retirement plans and receive advice on the best ways to access your pension; obtaining free and impartial guidance from Pension Wise; making sure you've claimed your State Pension when entitled to and researching additional entitlements you may be eligible to receive; considering your pension providers' quotes then shopping around other providers to maximise your retirement income.

And finally, enjoy your retirement!

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LIFETIME ISAS GROWING IN POPULARITY

Despite a relatively low-key launch, the Lifetime ISA, or LISA as it is often referred to, is proving popular with young savers. So far, 28,000 savers have opted for the cash edition of the product and early indications are that the stocks and shares version is proving equally attractive.

The LISA is a tax-free account designed for those aged 18 to 40 wanting to save for their first home, or until they are 60. 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.

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.

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