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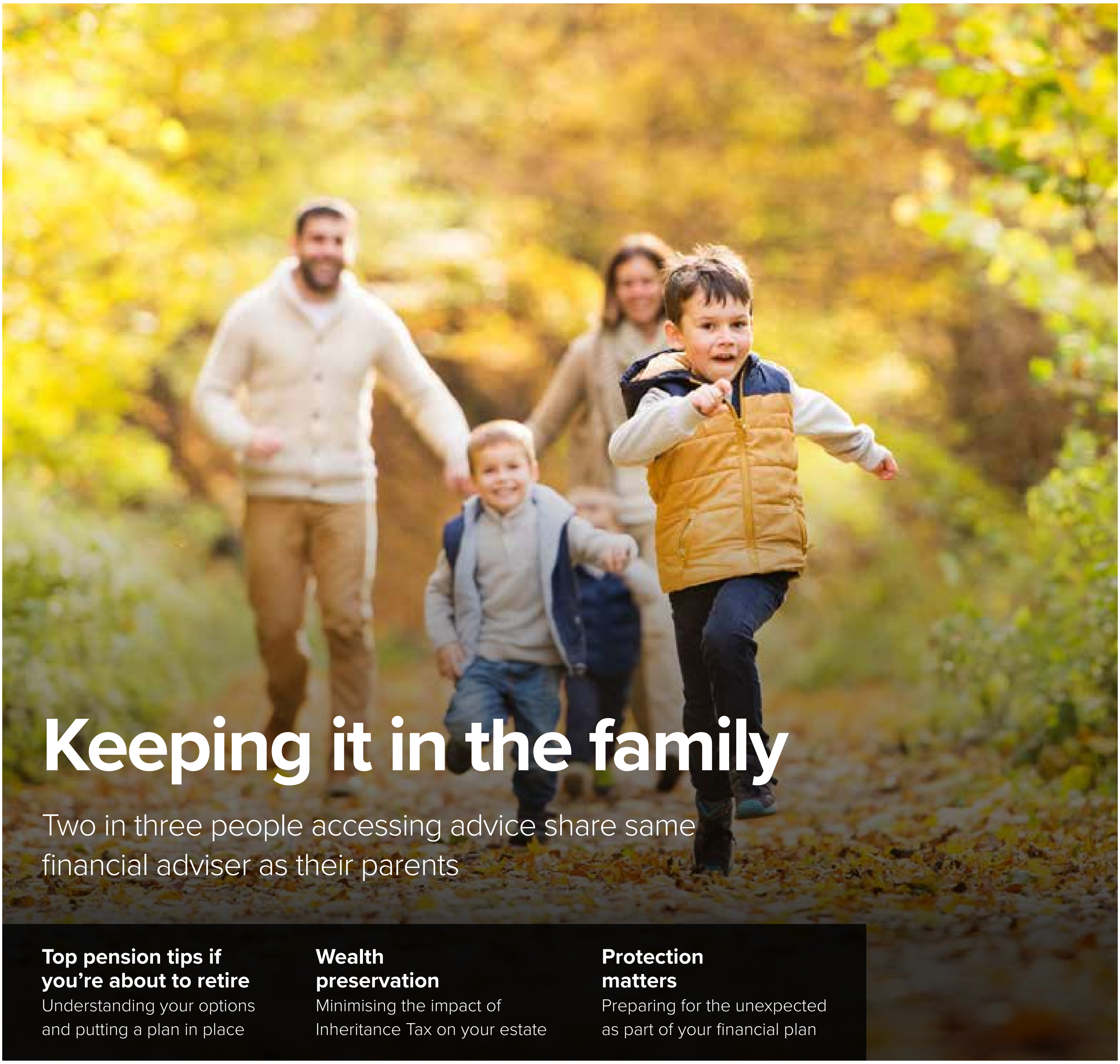
evolve



Keeping it in the family

Two in three people accessing advice share same financial adviser as their parents

Top pension tips if you're about to retire
Understanding your options and putting a plan in place

Wealth preservation
Minimising the impact of Inheritance Tax on your estate

Protection matters
Preparing for the unexpected as part of your financial plan

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welcome

Welcome to the Autumn 2021 edition of *Evolve* from **moneyweb.**

We have been keeping busy this year and have renewed existing sponsorships and gained new sponsorship links within the area. We're proud to announce we are sponsors this season of Scarborough Rugby Union Football Club and Scarborough Athletic Football Club. On page 03 get all the latest news about moneyweb in the community.

Never before has there been such a big difference between the wealth of the UK's older and younger generations. The coming years will see trillions' worth of investable assets and housing wealth move primarily from the Baby Boomer generation to their children, the Millennial generation. As families up and down the country seek professional financial advice to support them with wealth transfer and future planning during the coronavirus (COVID-19) pandemic, according to a new report, two-thirds (67%) of people whose parents have an adviser also use them. Read the article on page 11.

We spend our working lives building towards retirement. Choices we make today will have a big impact on the quality of our lives later on. If you only have a handful of years to go until you reach your retirement, on page 04 we consider why it has never been more important to understand your options and put a plan in place – now could be a good time to re-evaluate your plans with us. If your pension is not on track to give you the income you want in retirement, we'll explain how to boost it.

The latest Inheritance Tax (IHT) statistics show an additional 4% was added to HM Revenue & Customs' receipts compared to the previous year. IHT is a tax payable when you die. Whether your beneficiaries have to pay it, and how much they'll pay, is based on the value of your estate. Your estate's value is the value of the whole entirety of your assets. On page 09 we look at ways of minimising the impact of Inheritance Tax on your estate.

When you think of financial planning, pensions and savings will spring to mind. But, whilst often overlooked, protection should be a core part of your financial plan. If you are worried illness or injury could leave you without enough to pay bills, on page 15 we look at some solutions to help protect your income. While some people could rely on state benefits as a safety net if they experienced a sudden loss of income, for many the drop in income would be too severe to maintain their standard of living.

A full list of the articles featured in this issue appears opposite.

Looking for forward-thinking advice, tailored precisely to your needs?

At **moneyweb** we work with you in a clear, transparent partnership, and offer you objective, comprehensive advice. No matter how complex your finances or personal situation, we have the expertise to provide you with forward-thinking advice, tailored precisely to your needs. If you would like to discuss any areas of your financial plans, please contact us – we look forward to hearing from you.

contents

Moneyweb in the community 2021

Renewed sponsorships and new links within the area

We have been keeping busy during this year, renewing sponsorships and gaining new links within the local area to begin new partnerships.

Rugby Union Football Club

We have again sponsored Scarborough Rugby Union Football Club this year and are sponsors of the game on 11 December at home to Moortown.

We have been speaking with the first team players discussing what we do and have brought to market a niche product through Metlife, aimed specifically at rugby players, which is called Multi Protect. This covers players on match days and training should they pick up any injuries, which from watching them in training may be used more than normal!!

Malton Racing Open Day

An event that we have sponsored recently and for the last few years is Malton Open Day, which was on the 12 September.

Each year the racing yards of Malton open their stable doors to the general public, providing a fantastic opportunity to look behind the scenes and meet an array of equine heroes, racehorse trainers and the dedicated stable staff at this historic training centre, all while raising money for the charity Racing Welfare.

Funds generated by the Open Day go towards funding Racing Welfare projects in the local area.

The charity's mission is to enhance the wellbeing of people from the horseracing and thoroughbred breeding community, providing and enabling proactive support throughout and after their working lives.

We sponsored the Moneyweb leg of the Racing Staff Challenge, and Elliot from Moneyweb presented the prize on the day.

Scarborough Athletic Football Club

Our latest activity is to partner up with and sponsor Scarborough Athletic Football Club for the 2021/22 season.

As part of our partnership, we are teaming up with the club to run a brand new half-time activity at each Scarborough Athletic home game. Contestants will kick a number of footballs to try and knock down a series of targets, with the winner being the one who has been most successful. Each week's winner will be the proud recipient of a Moneyweb goody bag containing vouchers to be used both at Scarborough Athletic and Moneyweb as a part of it.

The winners from each week will then ultimately get the chance to take part in a season finale of a similar nature whereby they will ultimately compete for a cash prize and free season ticket for the following season!

We are also pleased to be the official sponsors of the club's match highlights packages this season that can be found on their YouTube and social media channels following each game.

We wish Scarborough Athletic all the best for the 2021/22 campaign – Up The Boro!

Ask me a question

Lauren Pennock –Client Services

1. If you could only eat one meal for the rest of your life, what would it be?
Spaghetti bolognese

2. If you could have any one superpower, what would it be?
Invisibility

3. If you could be an animal, which would it be?
Elephant

4. If you could travel around one country, which would it be?
America

5. What would be the number one thing to do on your bucket list?
Sky diving

6. What is your favourite TV show?
Stranger Things

7. What is your biggest fear and/or phobia?
Snakes

8. Which would be more important to you if stranded on a desert island, company or supplies?
Supplies

9. Sweet or Savoury?
Sweet

10. Would you rather be ten years younger, or ten years older?
Older

Top pension tips if you're about to retire

Understanding your options and putting a plan in place

We spend our working lives building towards retirement. Choices we make today will have a big impact on the quality of our lives later on. If you only have a handful of years to go until you reach your retirement, it has never been more important to understand your options and put a plan in place – now could be a good time to re-evaluate your plans with us.

The changes made to UK pensions in 2015 mean that we all have more choices available on how to fund our lifestyle in retirement. But decisions surrounding when, why, and how you decide to retire will be very personal and will largely depend on your individual circumstances.

These decisions will also be impacted by external factors such as the rising State Pension age, and the impact of the recent pandemic on the job market. When planning for your future, it's important to know when you can access the money in your pension pot.

If your pension is not on track to give you the income you want in retirement, you need to look at how to boost it. It's also worth remembering that taking your pension doesn't mean you need to retire.

Taking stock of your retirement plans

Retirement is a time to reap the rewards of years of hard work and do more of the things that you love, whether that's travelling the world or spending time with your grandchildren. But to make this a reality, you need to prepare as well as you can financially. This isn't always easy, as pensions and retirement planning can be complex.

To help you ensure you're on the right track, ask yourself the following questions. What type of pension/s do I have? Do I have more than one pension pot? If so, where are they? When and how can I access the funds in my pension pots? What is the value of my pension pots? What benefits will they provide me with? What about any other options or guarantees?

Will you potentially exceed the Pension Lifetime Allowance?

If you're close to retirement, you may find you are approaching the Pension Lifetime Allowance (LTA) limit. The LTA is the most you can accrue overall within your pension plans without incurring an additional tax charge on the excess funds. The LTA test can take place at various times and all funds are tested at some point (for example, when your pension plan is accessed, if you die without having accessed it and/or on reaching age 75). The LTA has been cut over the years and is now £1,073,100 for the 2021/22 tax year.

The LTA has also been frozen at £1,073,100 until 2026, potentially exposing you to the charge for breaching the threshold. If you breach the threshold you face a 55% LTA charge on amounts taken above this ceiling if they are withdrawn as a lump sum (with no further income tax due beyond the 55%), or a 25% LTA charge when taken as income which includes placing the funds in a drawdown plan. In addition, any income withdrawn is then taxed at usual income tax rates.

If you think you are nearing the LTA, it's important to monitor the value of your pensions, and especially the value of changes to any defined benefit (DB) pensions as these can be surprisingly large. DB pensions are valued for LTA purposes as 20 times the annual pension figure, plus the tax-free cash amount, whereas defined contribution (DC) pensions are tested against the LTA based on the fund value. There were, and are, protections that can help you avoid a tax charge by giving you a higher LTA. We can discuss whether this applies to your situation.

What does your current and forecasted wealth look like?

As you get closer to retirement, it is important to assess your current and forecasted wealth, along with your income and expenditure, to create a picture of your finances for both now and in the future.

Lifetime cash flow modelling will help ensure you don't run out of money – or die with too much – by showing whether your current investment approach is either excessively risky or unduly cautious. Retirement cash flow modelling can help to alleviate your concerns.

Building your individual retirement cash flow plan involves assessing your current and forecasted wealth, along with your income and expenditure, using assumed rates of investment growth, inflation and interest rates, to build a picture of your finances both now and in the future.

If you have accumulated wealth, retirement cash flow modelling will help you manage your position and make sensible decisions over the years. However, cash flow planning is arguably even more beneficial if you have longer-term personal or business objectives, as you can see how much you need to save and the returns you need to meet those defined objectives.

Time to look at your options available when accessing your pension?

Once you reach age 55, you can access your defined contribution (DC) pension pot. You can take some or all of it, to use as you need, or leave it so that it has the potential to continue to grow. It's up to you how you take the benefits from your DC pension pot. You can take your benefits in a number of different ways.

You can choose to buy a guaranteed income for life (an annuity). You can take some, or all, of your pension pot as a cash lump sum, or you can leave it invested. However you decide to take your benefits, you'll normally be able to take 25% of your pension pot tax-free. The rest will be subject to Income Tax.

It's good to have choices when it comes to pensions and your retirement, but it's also important to understand all your options and any impact your decision may have on your future security. How long your pension pot lasts will depend on the choices you make. We can help by discussing the options available to access your pension.

Annuities

If you buy an annuity this will provide a guaranteed income for the rest of your life. With this option, the provider agrees to pay you an agreed regular sum until you die. With an annuity, you may receive more or less money than you put in depending on how long you live after your annuity has started.

Flexi-access drawdown

By opting for flexi-access drawdown, you can leave your pension pot invested so that it has the potential to grow, or take lump sums or a regular income from it. Your pension pot will last until you've taken all your money out. The level of income you take and any investment growth will be key factors as to how long your pension pot will last.

Take some or all of it in cash

If you take some or all of your pension pot as a cash lump sum, it's up to you how long it lasts. Once you receive your money after tax, you're completely responsible for it and can use it as you require – although remember that although 25% of the amount you take is tax-free, you'll pay Income Tax on the rest.

Leave it all for now – defer your pension

You could decide not to take your pension at your selected retirement date and leave it invested until you're ready to take your benefits. This means your pension pot would have the potential to grow, although this is not guaranteed. It's important to ensure you don't lose any guarantees which only apply at your retirement date if you decide to leave your pension pot. ■

Would you like us to carry out a retirement plan review with you?

Even if retirement isn't far away, there are ways to increase your retirement income. This applies both to your State Pension entitlement as well as to any personal or workplace pension pots you have. To find out what you can do, please contact moneyweb for more information.

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THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

Making inheritance gifts from surplus income

Are you making use of this useful and much under-utilised exemption?

If you want to make inheritance gifts from surplus or excess income, there is a useful and much under-utilised exemption that allows gifts over and above the value of £3,000 per annum to be made without these gifts forming part of your estate if you die within seven years of making them.

The exemption comes under the heading of 'Normal expenditure out of surplus income'. It is a particularly valuable way of gifting part of your estate to future generations on a regular basis.

If you want to make inheritance gifts from surplus or excess income, you need to show that you intend to make regular gifts that will not affect your normal standard of living, and that will come from income rather than capital.

This form of giving is most effective for those with higher incomes relative to their cost of living, who are either looking to clear their estate or just make gifts to loved ones – especially in order to distinguish these gifts from lifetime gifts of capital that have already been made or are being contemplated.

So, what are the requirements?

1. The gift must form part of your normal expenditure – this can mean either a pattern of regular gifts or the intention to make regular gifts. You therefore need to record when you are making a gift out of income, by writing a letter for instance.
2. The gift is made out of income.
3. You are left with enough income to maintain your normal standard of living.

In order to assess whether you have sufficient income to utilise this exemption and to satisfy conditions 2 and 3, you will need to:

- Consider how much net income you receive (for example, from employment, pensions, dividends, interest, rent) after tax.
- Review what your normal expenditure amounts to – there is no actual legal definition of what 'normal expenditure' amounts to but it is based on an individual's particular circumstances. This may, of course, fluctuate from year to year.

Conditions that must be met

It is important to consider the conditions that must be met for gifts to qualify. The conditions of 'surplus' and 'normality' are qualitative and, without methodical planning, can leave room for doubt about the tax effects.

It's therefore important to seek professional financial advice in advance to identify any ambiguity. Inadvertently making a gift of capital could be very costly and later give rise to a 40% Inheritance Tax charge on those funds should you die within seven years.

Carrying forward your income

If appropriate, you could complete this process each tax year to review how much surplus income you have for that year. You can then increase or decrease the amount you gift accordingly. There are no hard and fast rules as to when income no longer retains its status as income. However, HM Revenue & Customs tends to take the approach of being able to carry forward income for a period of two years.

It's important to keep financial records that allow you to calculate and offset expenditure against income. This will determine the amount available for gifting. Tracking the opening and closing balances on monthly bank statements is the usual starting point.

Continuing to make regular payments

It's also helpful to record a Memorandum of Intent, declaring your future intention to make regular gifts of your excess income, which can be used to anticipate a challenge to their nature. The Inheritance Tax Form 403 provides a useful record-keeping tool. Your executors will need to claim the exemption on your death, and therefore it is important to maintain thorough record keeping.

In certain situations it may be possible that a single gift could qualify so long as it can be proved upon death that there was an intention to continue with the payments. Such intention could be proved by the donor providing a signed letter to the recipient confirming their intention to continue to make regular payments.

Wishing to retain control of your capital

This is a particularly effective means of tax planning if an individual is not dependent upon such income to maintain their current standard of living but wishes to retain control of their capital. For example, a parent could pay the premiums on a life policy for their child, make payments into trust for the benefit of their children, or pay their children's school or university fees.

The gift can be made out of general income or it could be made out of a nominated source such as property rental or specific investment income. ■

Is your wealth protected for you and your family?

Estate planning is essential to make sure your wealth is protected for you and your family. By structuring your assets in a tax-efficient way, you can make sure everyone is provided for in the future. To discuss your options or any estate planning concerns you may have, please contact moneyweb.

THIS INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF LEGISLATION. LEGISLATION AND TAX TREATMENT CAN CHANGE IN THE FUTURE. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE INHERITANCE TAX PLANNING AND TRUSTS.

Time for pensions to contribute towards building a better world

New landmark report from the United Nations on the state of climate science

As we have been witnessing in recent years and months, climate changes are occurring in every region and globally. A new landmark report from the United Nations on the state of climate science has highlighted modern society's continued dependence on fossil fuels, which is warming the world at a pace that is unprecedented in the past 2,000 years. Its effects are already apparent as record droughts, wildfires and floods devastate communities worldwide.

Put simply, net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount taken away. The UK became the world's first major economy to set a target of being net zero by 2050.

Greenhouse gas

The Intergovernmental Panel on Climate Change report published on 9 August emphasises there is still time to act, but it must happen immediately. Limiting climate change demands strong and sustained reductions in greenhouse gas emissions from human activities such as burning fossil fuels.

One of the main areas where change can make a significant difference to all of our futures is how and where our pension money is invested. But the facts are, if money is invested in a standard, default pension, it could be doing more harm than good.

Climate change

Your pension is more than just a retirement fund, it can also contribute towards building a better world. However, one in four pension scheme members have never even heard of net zero, while three in ten can't explain or understand the connection with their pension pots and climate change.

According to new research[1], almost nine in ten Defined Contribution (DC) scheme members were not aware of the importance of having their pension scheme aligned with a net zero goal. But, encouragingly, members were overwhelmingly in favour of their pensions moving towards net zero when the term was explained.

Collective power

The survey also uncovered that one in four (25%) have never heard of the term 'net zero' and a further three in ten (31%) have heard of it but could not say what it means. In fact, 70% of DC members prefer remaining invested and using their collective power to engage with companies to align their businesses with global climate change efforts, or prepare them to thrive in a low-carbon economy.

Two-thirds (64%) of all members have become more concerned about the impact of human actions on the planet following the COVID-19 crisis. Rather than deprioritising environmental issues in favour of immediate concerns, the pandemic has thrust them into sharper focus as members explicitly linked them with their current situation.

Performance impact

Millennials are the strongest supporters of engagement, with 79% of them supporting providers' stewardship activities. Their attitude also helps to explain their change of heart towards outright divestment. While still the most radical cohort of the three generations on this issue, half of Millennial members would consider divesting if it had no performance impact, while only two in five of them would divest no matter what.

Baby Boomers are twice as likely as Millennials to want to keep pensions as diversified as possible, even if that meant investing in fossil fuels, but the proportion has dropped from 30% to 25% over the past 18 months. The research also shows that more than a fifth of 'Boomers' (22%) are now happy to divest into a greener pension regardless of performance. This follows increased coverage of climate in the mainstream media and real concern about the impact of climate change on their children and grandchildren.

Younger views

Millennial men are the most likely to want a net zero pension irrespective of the impact on financial performance. The proportion who feel this way (40%) is double that of the group showing the least interest, female Baby Boomers (20%).

As Baby Boomers move steadily into their retirement years, the balance of power will shift as Gen X starts to hold the largest share of pension assets. Younger views will be an important factor in shaping the direction of travel over the next ten years. This new cohort can no longer be assumed to be simply chasing maximum financial returns regardless of the impact on the planet. ■

What good could your money do?

Humanity has its work cut out to create solutions to the many complex problems of the 21st century. We help you assess the risks – and opportunities – posed by companies' and countries' performance in critical areas, such as climate change, executive remuneration, and diversity and inclusion. Please speak to moneyweb for further information – we look forward to hearing from you.

Source data:

[1] Survey conducted in April 2021, based on a population of 3,056 adults currently contributing to a workplace pension. Legal & General Investment Management published 14 June 2021.

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Wealth preservation

Minimising the impact of Inheritance Tax on your estate

The latest Inheritance Tax (IHT) statistics show an additional 4% was added to HM Revenue & Customs' receipts compared to the previous year[1]. IHT is a tax payable when you die. Whether your beneficiaries have to pay it, and how much they'll pay, is based on the value of your estate.

Your estate's value is the value of the whole entirety of your assets. An asset is anything of value that is owned, for example: money, property, investments, businesses, possessions, payouts from life assurance not written under an appropriate trust, as well as any gifts made within seven years of your death. IHT is currently applied to estates worth more than £325,000, and will remain at this level until April 2026.

Surviving spouse

When the value of your estate exceeds this limit, known as the 'nil-rate band', everything over the threshold is taxed at 40% (unless you're leaving it to your surviving spouse, in which case no IHT needs to be paid).

For the 2021/22 tax year, there is also a 'residence nil-rate band' currently worth £175,000. If applicable to your particular situation, this is added to your nil-rate band of £325,000 – so your estate could be worth up to £500,000 before any IHT is payable.

Emotional times

This increased tax take suggests that the Chancellor's freeze on the nil-rate band and residence nil-rate band at the last Budget is beginning to have the desired effect. It is achieving the 'fiscal drag' it set out to do, particularly given that asset prices have soared following the depths of the pandemic and could continue to do so given inflation is on the up.

As a result, many more people could end up having to pay IHT without realising they would fall into the tax charge. It is vitally important people start to have conversations with loved ones to fully understand an estate and the value of it. While it isn't always the most pleasant conversation, it is better to have it now than during more emotional times such as following a death.

Complicated tax

With the government looking for ways to plug the holes in the public finances created by the pandemic, IHT will always be in focus. IHT is a complicated tax and one that requires a necessary level of knowledge to ensure you're planning in the most tax-efficient way.

So IHT planning should be considered but it's important not to plan in isolation – it should be part of an overall strategy that encompasses your lifetime financial goals and assets, even though constituent parts may be executed separately and at different times. ■

Passing on your wealth to the next generation

You have worked hard to build your wealth – we will help you pass it on to the next generation securely and efficiently. If you'd like to find out more or to discuss your situation, please get in touch with moneyweb today – we look forward to hearing from you.

Source data:
[1] National Statistics Inheritance Tax statistics: commentary from HM Revenue & Customs updated 29 July 2021.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE. THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAXATION & TRUST ADVICE.

Gender pension gap

British women impacted at every stage of career

The staggering impact of the gender pension gap has been revealed in research which shows that women have lower pension pot sizes in every age bracket, with the situation significantly deteriorating as they approach retirement[1].

Pension pot sizes

The research highlights that there is always a difference in pension pot sizes between genders[2], even at the start of men's and women's careers. This initial gap (17%) remains largely unchanged until men and women reach their thirties, but doubles to 34% by the time they are in their forties. The gap increases to 51% in the fifties age bracket, and then to 56% at retirement.

The analysis also reveals that the difference in size of pot has a significant influence on the choices being made at retirement. 92% of women choose to take their pension in cash compared to 86% of men, while only 7% of women consider a drawdown compared to 12% of men.

Investment earnings

The issue is compounded by the fact that even in sectors where women are more heavily represented in the workforce, the pension gap remains just as stark. For example, in the Senior Care sector, the research shows that 85% of pension scheme members are women, yet the average woman's pot size is 47% smaller than the average man's (£8,040 current male average pot size).

Defined Contribution (DC) pensions have grown substantially in recent years, with the introduction of auto-enrolment. DC pensions are a retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts plus any investment earnings on the money in the account.

Career progression

However, much like the gender pay gap in wages, the gender pension gap is fast becoming an issue. This analysis reveals the extent of the gender pension gap in the UK – a gap that exists right from the very beginning of a woman's career and accelerates as she approaches retirement.

The decision to take a career break to raise a family has a clear impact, though there are a number of other factors at play here, including lower pay relative to male peers at all stages of a woman's career, a lack of pension contributions when she is away from the workplace, and the potential impact that raising a family has on a woman's career progression.

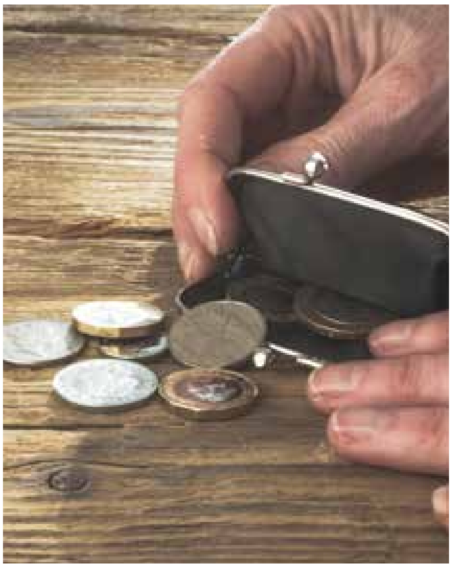
Financial struggles

The research shows women are also more likely to face financial struggles following a divorce from their partner and are significantly more likely to waive their rights to a partner's pension as part of their divorce. This is particularly true for older women, with one in four divorces occurring after the age of 50.

Changing social and workplace attitudes should help begin to level the playing field in terms of responsibilities, helped by the increasing acceptance of more flexible working patterns. The gender pay and pension gap is a complex issue that will take time to solve. ■

It's never too soon to start thinking about the retirement you want

Whether you're saving for retirement or planning your life now that you've retired, receiving professional financial advice can be hugely important in order to maximise your savings and avoid costly mistakes. To discuss how we could help you, please contact moneyweb for further information.



Source data:

[1] Research and data analysis from approximately 4 million Legal & General (L&G) pension scheme members 28 July 2021.

[2] The analysis is based on LGIM's proprietary data on c.4 million Defined Contribution members as at 6 April 2021, but does not take into account any other pension provision the customers may have elsewhere.

Keeping it in the family

Two in three people accessing advice share same financial adviser as their parents

Never before has there been such a big difference between the wealth of the UK's older and younger generations. The coming years will see trillions' worth of investable assets and housing wealth move primarily from the Baby Boomer generation to their children, the Millennial generation.

As families up and down the country seek professional financial advice to support them with wealth transfer and future planning during the coronavirus (COVID-19) pandemic, according to a new report[1], two-thirds (67%) of people whose parents have an adviser also use them.

Talking openly

Two-fifths (43%) of respondents said they would feel more relaxed about using the same adviser as their parents, while a third (34%) said they would trust them, and they'd feel relieved.

But while many families share the same professional adviser, the research also highlights 33% of people whose parents have a financial adviser do not also use them. Almost half (47%)admitted to 'talking openly to each other about finances', with only 7% revealing they 'don't trust their family members'.

Key scenarios

The research highlighted an unexpected windfall (24%), receiving an inheritance (24%) and preparing for retirement (23%) are the key scenarios most likely to prompt people to seek advice from a professional financial adviser.

Families are also becoming increasingly aware of their legacy and wealth transfer. It appears the COVID-19 pandemic has been a contributing factor in bringing families together to talk more openly about their futures, consider their financial goals and begin planning accordingly.

Hugely encouraging

The report highlighted how, especially for the younger generations, the need for financial support and guidance is most pronounced. It is hugely encouraging that many people are seeking the services of the same professional financial adviser as another family member at some stage during their life.

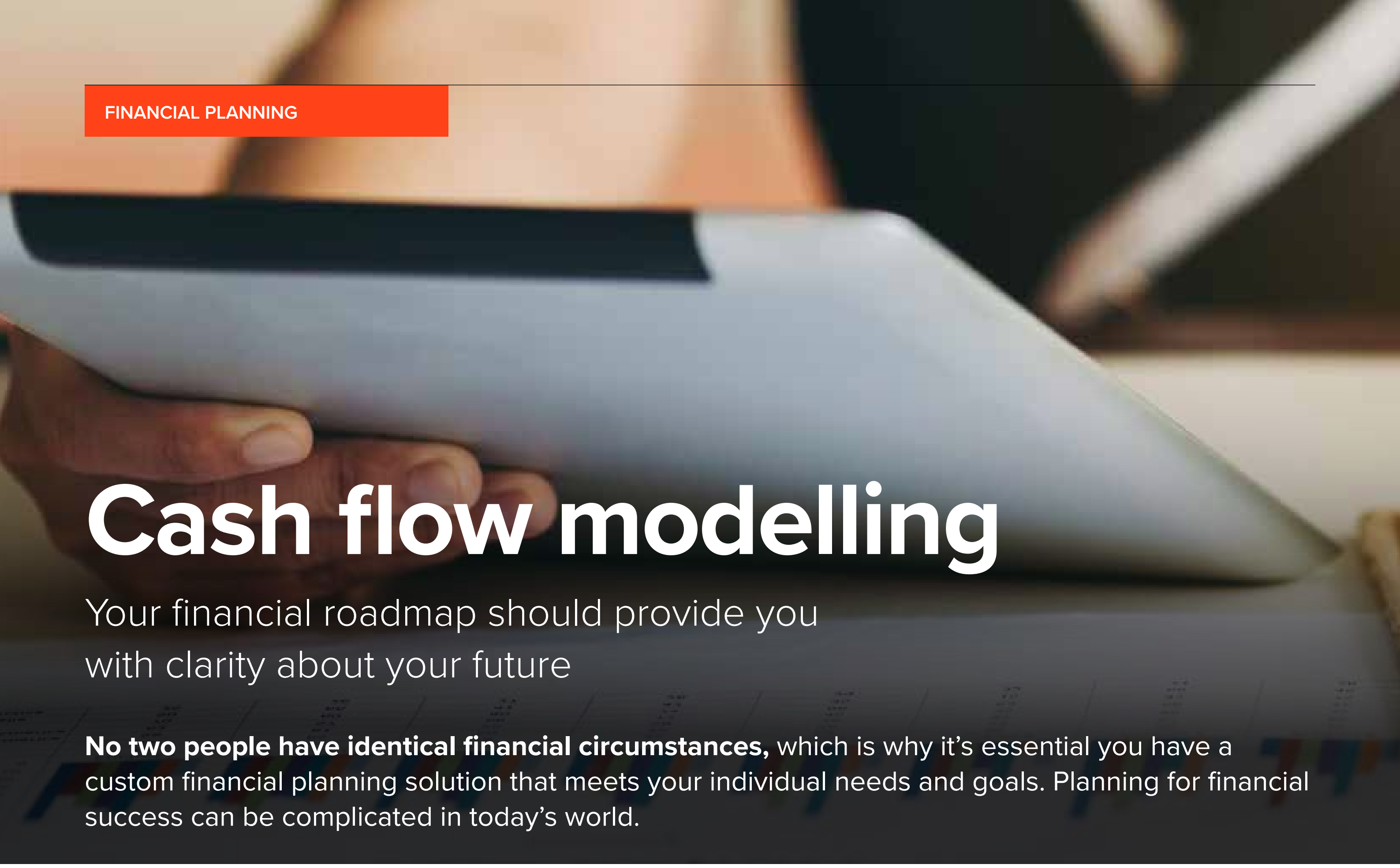
And, with around 86% of those seeking advice actively doing so in the last five years, it seems the value of advice is increasingly being understood. ■

Looking for advice tailored to your current situation and future hopes?

We'll make sure your money is working as hard as you are. The services we offer are built around your specific needs, with advice tailored to your current situation and future hopes. To find out more, speak to moneyweb to review your options.

Source data:

[1] Family Wealth Unlocked report from Prudential UK. Research was carried by Opinium among a UK representative sample of 1,000 advised families. The survey was completed in November 2020.



Cash flow modelling

Your financial roadmap should provide you with clarity about your future

No two people have identical financial circumstances, which is why it's essential you have a custom financial planning solution that meets your individual needs and goals. Planning for financial success can be complicated in today's world.

A broad knowledge of everything from complex retirement and investment products to risk management strategies and tax laws is required. Your financial roadmap should provide you with clarity about your future. It should detail every aspect of your vision – your hopes, fears and goals. It should also describe exactly how your future will look and help you to know exactly where you are headed and when you are likely to arrive.

Take some time and ask yourself these questions:

- How do I know I will have enough money for my future?
- Do I have the security of knowing where I'm heading financially?
- Am I going to be able to maintain my current lifestyle once I stop working?
- Do I feel empowered financially to live the life I want both today and tomorrow?
- Have I made sufficient financial plans to live the life I want?
- Do I have a complete understanding of my financial position?
- What is 'my number' to make my current and future lifestyle secure?

Understanding 'your number'

Part of this process is to understand 'your number' – in other words, the amount of money you'll ultimately need to ensure complete peace of mind in knowing your future lifestyle is secure and making sure you don't run out of money before you run out of life.

By getting to know you and what you want to achieve, we are able to provide you with a detailed action plan that is focused on you. Initially, you need to create a financial roadmap which enables you to make the right financial choices and get the balance right between current responsibilities and future aspirations.

Your specific lifestyle goals

All of this should be designed in a way so that you can achieve your desired lifestyle goals and objectives reliably over time and not run out of money. With a full understanding of your circumstances and priorities, we'll provide you with advice that is custom-tailored to suit your specific lifestyle goals, and together we can develop a strategy based on your personal circumstances.

In order to develop your financial plan, you need clarity over your goals, your objectives and your motivations. An integral part of this process includes cash flow modelling. This illustrates what might happen to your finances in the future and enables you to plan to ensure that you make the most of your money to achieve your financial objectives.

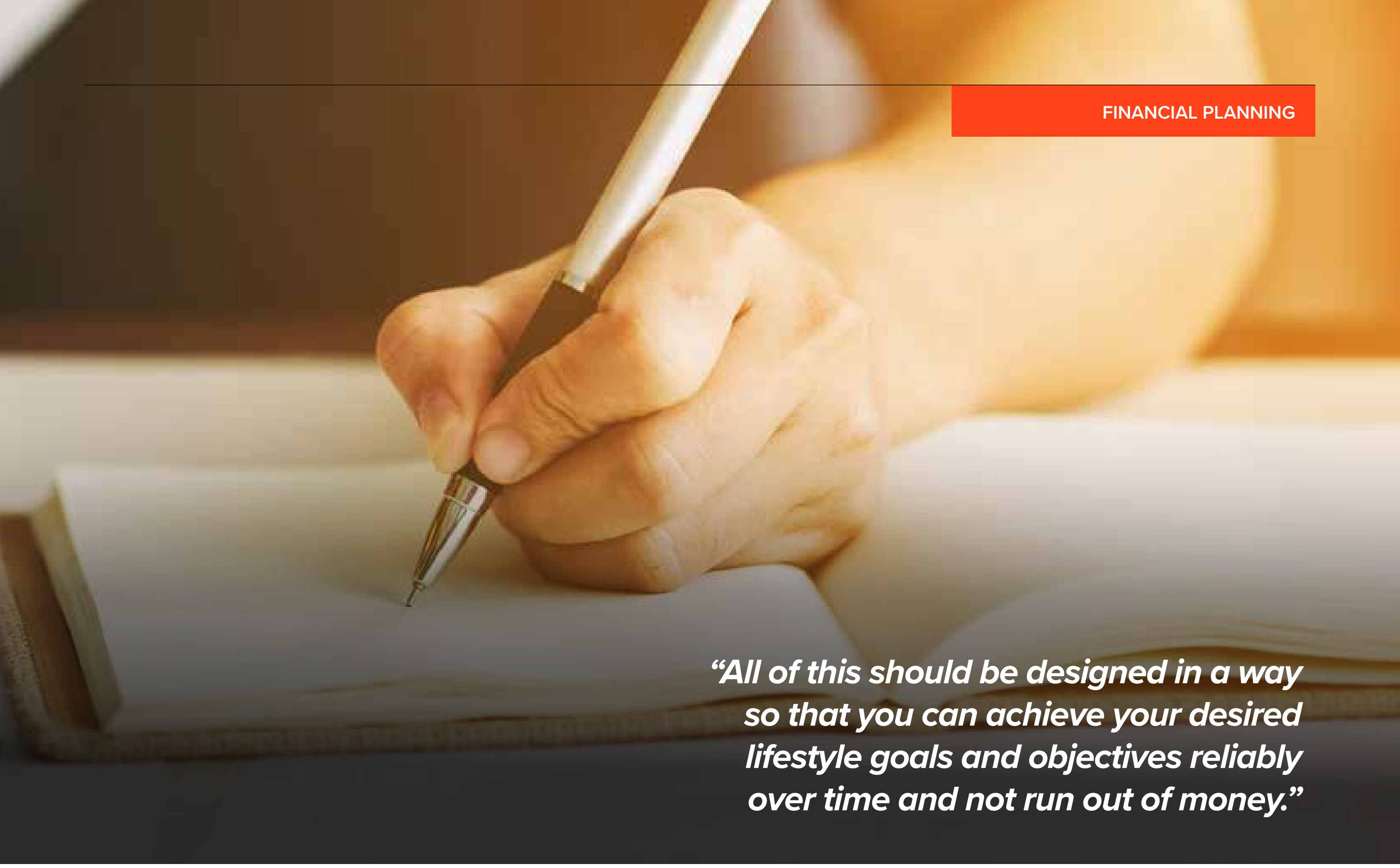
Current and forecasted wealth

Cash flow modelling shows your current position relative to your preferred position and your goals by assessing your current and forecasted wealth, along with income inflows and expenditure outflows to create a picture of your finances, now and in the future. This detailed picture of your assets includes investments, debts, income and expenditure, which are projected forward, year by year, using calculated rates of growth, income, inflation, wage rises and interest rates.

In order to implement a detailed plan that outlines how to deliver your financial future, communication is vital. To ensure that, over time, you achieve your desired lifestyle goals, it is important for us to regularly review your financial plan and make any necessary amendments should your personal circumstances change.

Meeting your investment objectives

Cash flow modelling will enable us to determine what recommendations and best course of action are appropriate for your particular situation and the right asset allocation mix. The growth rate you require is calculated to meet your investment objectives and is then cross-referenced with your attitude to risk to ensure your expectations are realistic and compatible with the asset allocation needed to achieve the necessary growth rate.



"All of this should be designed in a way so that you can achieve your desired lifestyle goals and objectives reliably over time and not run out of money."

Cash flow modelling enables us to analyse different scenarios based on decisions you may make – this could be lifestyle choices or perhaps investment decisions. By matching your present and expected future liabilities with your income and capital, we can make recommendations to ensure that you don't run out of money throughout your life.

Regular reviews and reassessments

A snapshot in time is taken of your finances. The calculated rates of growth, income, tax and other information that are used to form the basis of any cash flow modelling exercise will always be assumptions. This is why regular reviews and reassessments are required to ensure you remain on track.

Nearly all decisions are based on what is contained within the cash flow: from how much to save and spend, to how funds should be invested to achieve the required return, so there is a lot that needs to be managed.

A lifetime cash flow plan should enable you to:

- Produce a clear and detailed summary of your financial arrangements
- Define your family's version of the 'good life' and begin working towards it
- Work towards achieving and maintaining financial independence
- Ensure adequate provision is made for the financial consequences of the death or disablement of you or your partner
- Plan to minimise your tax liabilities
- Produce an analysis of your personal expenditure planning assumptions, balancing your cash inflows and your desired cash outflows
- Estimate future cash flow on realistic assumptions
- Develop an investment strategy for your capital and surplus income in accordance with risk/reward, flexibility and accessibility with which you are comfortable
- Become aware of the tax issues that are likely to arise on your own death and that of your partner

'Running through the numbers'

With every financial corner you turn, it is important to 'run through the numbers', which will help you make the right financial decisions. It is important to be specific. For example, it is not enough to say, 'I want to have enough to retire comfortably.' You need to think realistically about how much you will need – the more specific you are, the easier it will be to come up with a plan to achieve your goals.

If your needs are not accurately established, then the cash flow will not be seen as personal, and therefore you are unlikely to perceive value in it. Some years, there may not be any change, or just small tweaks. However, in other years, there may be something significant. Either way, you will need to ensure things are up to date and to keep your own peace of mind knowing your plans are still on track. ■

Time to discuss your future financial goals and objectives?

Making provision for a secure future, be it for yourself, your family or your business, is one of the most important steps you will ever take. To find out more please contact moneyweb.

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Diversification

What it means and why it's essential for successful investing

If you're familiar with the proverb 'Don't put all your eggs in one basket', you have a basic understanding of diversification in investing.

Diversification is all about spreading out your money into multiple investments, and multiple kinds of investments. The idea is that your portfolio will be protected if one particular asset, or group of assets, loses money.

If we could see into the future, there would be no need to diversify our investments. We could merely choose a date when we needed our money back, then select the investment that would provide the highest return to that date.

Balance between risk and return

It might be a company share, or a bond, or gold, or any other kind of asset. The problem is that we do not have the gift of foresight. It's a basic rule of investing that to improve your chance of a better return you have to accept more risk.

But you can manage and improve the balance between risk and return by spreading your money across different investment types and sectors whose prices don't necessarily move in the same direction – this is called diversifying.

Reducing the overall risk in your portfolio

Diversification can help you smooth out the returns while still achieving growth, and reduce the overall risk in your portfolio. It also helps to address this uncertainty by combining a number of different investments. It can't guarantee that your investments won't suffer if there is a market correction, but it can improve the chances that you won't lose money, or that if you do, it won't be as much as if you weren't diversified.

In order to maximise the performance potential of a diversified portfolio, managers actively change the mix of assets they hold to reflect the prevailing market conditions. These changes can be made at a number of levels, including the overall asset mix, the target markets within each asset class, and the risk profile of underlying funds within markets.

Environment of positive or recovering economic growth

As a rule, an environment of positive or recovering economic growth and healthy risk appetite would be likely to prompt an increased weighting in equities and a lower exposure to bonds. Within these baskets of assets, the manager might also move into more aggressive portfolios when markets are doing well and more cautious ones when conditions are more difficult. Geographical factors such as local economic growth, interest rates and the political background will also affect the weighting between markets within equities and bonds.

In the underlying portfolios, managers will normally adopt a more defensive positioning when risk appetite is low. For example, in equities they might have higher weightings in large companies operating in parts of the market that are less reliant on robust economic growth. Conversely, when risk appetite is abundant, underlying portfolios will tend to raise their exposure to more economically sensitive parts of the market and to smaller companies.

Knowledge is power

Investors face a number of risks over their lifetime, but longevity, sequencing and inflation risks are three key risks that are particularly pertinent to retirees. When looking at investments, it is important to bear these risks in mind.

Longevity risk: the risk of outliving your investments.

Sequencing risk: the risk of market corrections (such as the global financial crisis, or the COVID-19 pandemic) just before or after retiring, which is generally the point of maximum wealth.

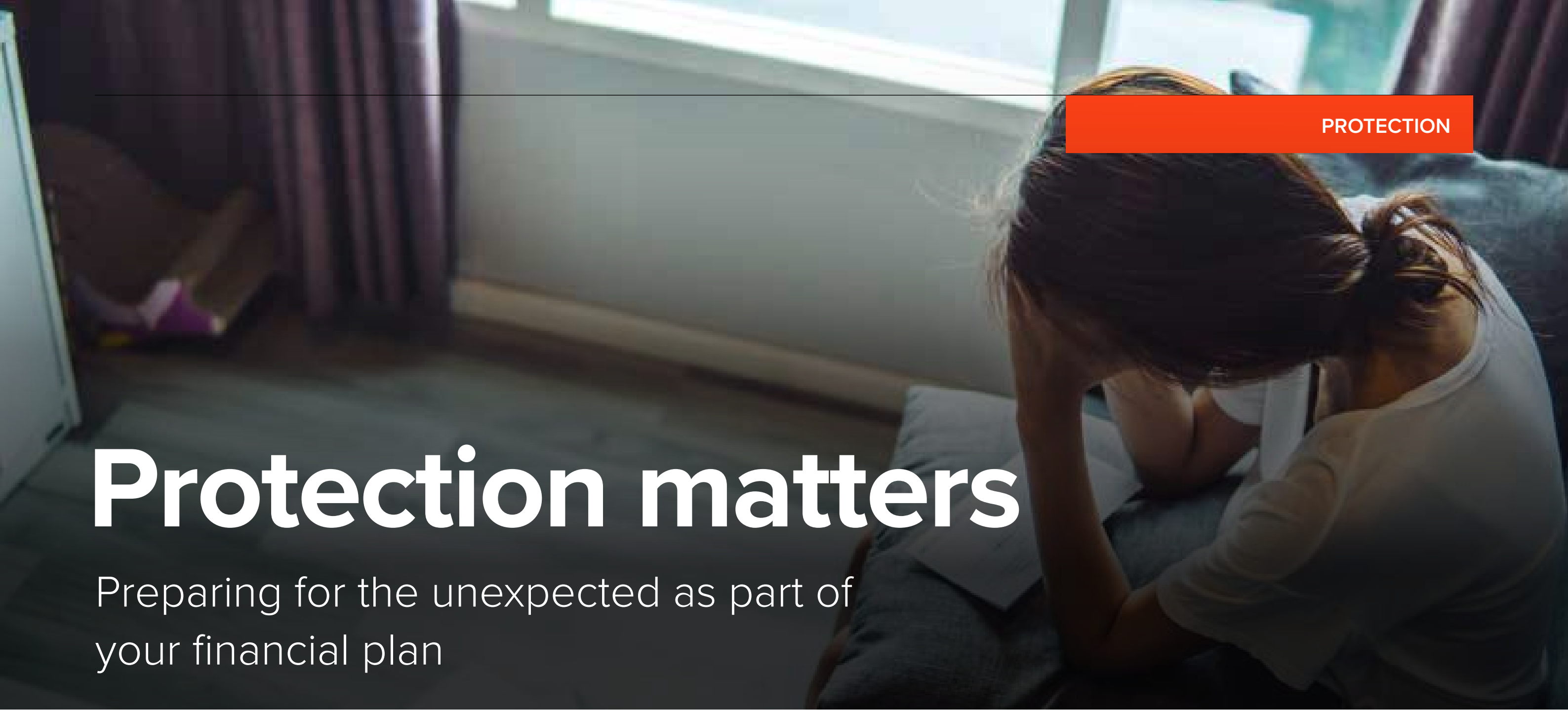
Inflation risk: purchasing power of retirement income could reduce if there is not sufficient capital growth. This risk is gradual, though – it is not a one-off like sequencing risk.

Market risk: the risk of general movement in financial markets over time. This risk can be reduced through portfolio diversification.

Behavioural bias risk: the risk that investors allow their emotions to drive investment decisions. For example, selling out of growth assets after a fall is often the worst thing to do. A long-term view of investing should be taken. ■

Time to discuss how to diversify your investments?

Speak to us today for more detailed information on volatility and diversification, or for more information please contact moneyweb.



Protection matters

Preparing for the unexpected as part of your financial plan

When you think of financial planning, pensions and savings will spring to mind. But, whilst often overlooked, protection should be a core part of your financial plan.

If you are worried illness or injury could leave you without enough to pay bills, there are solutions to help protect your income. While some people could rely on state benefits as a safety net if they experienced a sudden loss of income, for many the drop in income would be too severe to maintain their standard of living.

Being able to keep paying the bills

In many situations, families rely on both partners' income to pay the monthly bills and don't think about the impact losing one income could have on their standard of living. Even though people recognise the need to take out life insurance to pay off their mortgage if they die, some may not think about how their family could continue to pay their outgoings if they became ill or were injured and unable to work for a long period of time.

If something were to happen to you, would you and your family be able to keep paying the bills? The coronavirus (COVID-19) outbreak has made many of us think more carefully about protecting ourselves and our family from financial difficulties. However, this isn't just about having savings and investments to provide for the long term – it's also about ensuring you and your loved ones are provided for should the worst happen.

Sufficient savings to manage financially

Have you calculated how much you and your family would need if you found yourself unable to work? This should also take account of your savings and any other income you might have. Using a Budget Planner will enable you to work out what you're spending each month, from household bills to general living costs. Having a good idea of your overall budget will make it easier to make changes.

Not everyone will have sufficient savings to manage financially for long periods of illness – particularly if this money is earmarked for other plans like retirement or helping children with their education. That's where insurance protection comes in, and there are a variety of options that could help to cover specific costs, or replace income, should you find yourself unable to work.

Income Protection

Income Protection insurance can provide a regular replacement income if someone is unable to work because of an illness or injury. Typically, a policy pays out after they've been off work for six months (often called a 'deferred' or 'waiting period') and can pay a percentage of their salary until either they return to work, reach State Pension Age or die while claiming.

Critical Illness Cover

Critical Illness Cover is a type of insurance that pays out a tax-free lump sum if someone is diagnosed with, or undergoes surgery for, a critical illness that meets the policy definition during the policy term and they survive a specified number of days. It's designed to help support you and your family financially while you deal with your diagnosis – so you can focus on your recovery without worrying about how the bills will be paid.

Life Insurance Cover

Life Insurance Cover pays out a lump sum if someone passes away during the policy term.

If you're diagnosed with a terminal illness and are not expected to live longer than 12 months, some policies will provide the sum prior to death. It's there to provide financial support for your loved ones after you're gone, whether that means helping to pay off the mortgage or maintaining their standard of living.

Private Medical Insurance Cover

Private Medical Insurance Cover is a type of cover that pays your private healthcare costs if someone has a treatable condition. Whether it's overnight care, outpatient treatment, diagnostic tests, scans or aftercare, you receive the specialist private treatment you need, in comfortable surroundings, when you need it. The cover is available at a range of different levels of cover at various premiums designed to meet your specific needs. ■

Time to safeguard your financial future?

The possibility of passing away prematurely, getting a serious illness or sustaining an injury isn't something we like to think about, but being prepared can help you to avoid money worries for both you and your family. To discuss your own unique requirements, please contact moneyweb.

FINANCIAL SCAMS

Investors beware

How to spot a fake get-rich-quick cryptocurrency investment opportunity

Scams involving cryptocurrency are on the rise and consumers are being advised to keep an eye out for deals or returns that look too good to be true in the crypto space, just as with any other online scams.

It's important to remember cryptocurrency transactions are irreversible; if you send cryptocurrency to a third-party, you cannot reverse it or stop payment. If you send cryptocurrency to a blockchain address, you must be certain of the legitimacy of any involved third-party services and merchants, and only send cryptocurrency to entities you trust.

How does this scam work?

The relative novelty of cryptocurrency investments means that some people might not even know they're being taken advantage of. Fraudsters are using social media platforms to advertise 'get-rich-quick' investments in mining and trading in cryptocurrencies such as Bitcoin and even impersonating celebrity endorsement, holding fake giveaways with claims of multiplying any cryptocurrency you send.

Fraudsters will persuade victims to sign up to cryptocurrency investment websites and like other scams, will persuade victims to part with their personal details such as credit card details and driving licences to open a trading account. After the victim makes an initial minimum deposit, the fraudster will call them to persuade them to invest again in order to achieve a greater profit.

Stay vigilant and be wary of advertised deals

Unfortunately, some victims have only realised that they have been defrauded after the website has been deactivated and the scammers can no longer be contacted, which leaves the victims unable to get their money back.

Unlike many other scams, crypto scammers tend to target a younger demographic. Their predominant use of social media means people need to stay vigilant and be wary of advertised deals or returns that look too good to be true online.

Making scams appear legitimate to investors

Professional-looking websites, adverts or social media posts are not an indication that an investment opportunity is genuine. Even reviews and comments from what seem to be genuine users could be fake accounts and a part of the scam.

Criminals will use the names of well-known brands or individuals to make their scams appear legitimate, so it is best to do your research to make sure you are aware of what you may be dealing with. ■

Don't be rushed or pressured into making a decision

A genuine bank or financial organisation won't force you to hand over your money on the spot. Always be wary if you feel pressured to invest quickly or if you are promised returns that sound too good to be true. Avoid uninvited investment offers, especially those over cold calls, and if you're thinking about making an investment, first speak to moneyweb.

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