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evolve

Seeking a higher retirement income

Retirement needn't be an all-or-nothing decision

Becky Mason
A young triathlete competing at the highest level

Saint Catherine's
A Sunrise Walk for a fantastic cause

Our Charity of the Year
UK Sepsis Trust

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welcome

Welcome to the latest issue of *Evolve* from Moneyweb. As the poet and playwright Oscar Wilde once commented, 'When I was young I thought that money was the most important thing in life; now that I am old I know that it is.' And with these pertinent words in mind, inside this issue we look at a number of topics designed to keep you up to date and help you plan to meet any changes in your life and financial circumstances.

For most people over the age of 55, it is now possible to cash in or unlock all of your pension. How you take these benefits will depend on the type of scheme you have and how you want to take benefits. On page 08, we consider the concerns that have been raised that some savers may risk running out of cash if they siphon too much out of their pension pots.

For those looking to make the world a better place but not wanting to sacrifice returns or profits, impact investing aims to support a positive social or environmental impact, as well as looking to achieve compelling financial returns at the heart of sustainable investing. Turn to page 06 to read the full article.

Exactly how much you'll need for a comfortable retirement will depend largely on your cost of living and lifestyle choices. For many people, retirement is about sun-soaked holidays, leisurely rounds of golf and that boat they've always coveted. On page 04, we look at why you need to reassess your own situation.

We hope you enjoy reading this edition and invite you to contact us if you would like to discuss or review any area of your financial plans.

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Becky Mason

A young triathlete competing at the highest level

Moneyweb are proud sponsors of Becky Mason, a young triathlete who is successfully competing at national, European and world championship levels. A triathlon race involves a continuous open water swim before jumping straight onto a bike for the second part of the race, and finally a run to the finish line.

In September, Becky competed in the Age Group Triathlon World Championships on the Gold Coast in Australia. Becky successfully competed at both standard distance – coming 4th for Great Britain and 23rd in the world ranking for her age category – and sprint distance, where she came an impressive 1st for Great Britain and 19th in world rankings for her age category. The sprint distance race consisted of a 750m swim, 20km bike ride and 5km run. The standard distance is double the sprint, with a 1500m swim, 40km bike ride and 10km run.

Becky began her sporting career competing at Pony Club triathlons as part of a successful team which included her two sisters. The team went on to win the National Championships, and soon afterwards Becky progressed to competing in pentathlons. Whilst at university, Becky dabbled in triathlon racing but didn't take it that seriously at the time. That all changed when, three years ago, a friend asked her if she wanted to compete alongside her in the Castle Howard triathlon sprint plus race. After finishing 2nd, Becky thought that if she committed fully to triathlon racing, she might be able to get some good results – her recent success proves she was right! We are extremely proud of her achievements, and we look forward to supporting her further in the future.

Moneyweb Charity of the Year

Introducing the UK Sepsis Trust

The Moneyweb team have chosen to support the UK Sepsis Trust as our charity of the year for fundraising in 2018/19. The team wanted to help raise awareness of sepsis following our very own Paul Robinson contracting sepsis earlier this year. Five people per hour are killed by sepsis in the UK every year, and a quarter of all sepsis survivors suffer permanent, life-changing after-effects.

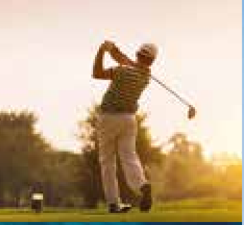
Sepsis (also known as 'blood poisoning') is the immune system's overreaction to an infection or injury. Normally, our immune system fights infection. But sometimes, for reasons we don't yet understand, it attacks our body's own organs and tissues. If not treated immediately, sepsis can result in organ failure and death. However, with early diagnosis, it can be treated with antibiotics. Sepsis can initially look like flu, gastroenteritis or a chest infection. There is not one clear sign of the diseases initially, and symptoms present themselves differently between adults and children.

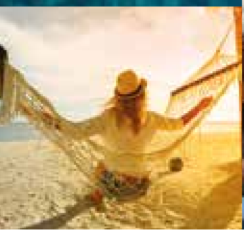
Paul's daughter Laura kick-started the fundraising on 8 September by completing a sky dive – which she named 'Dive for Daddy' – raising an impressive £2,035 for the UK Sepsis Trust. A truly brave and valiant effort from Laura!

The Moneyweb team and friends will be taking part in 'Total Warrior' on Saturday 22 June 2019. We've upped the ante this time, as we'll all be completing the 12K course. After the realisation of what the 5K course entailed in 2017, this really means we need to get whipped into shape. Luckily, we have Sniper Fitness willing to put us through our paces and ensure we are all fit to take part!

If you would like to make a contribution to this very worthwhile cause, you can sponsor us for the event by donating at our JustGiving page at **www.justgiving.com/fundraising/moneyweb.**

THE UK SEPSIS TRUST





Seize the day – today

Make your vision a reality

Exactly how much you'll need for a comfortable retirement will depend largely on your cost of living and lifestyle choices. For many people, retirement is about sun-soaked holidays, leisurely rounds of golf and that boat they've always coveted.

But retirement is not what it used to be, with more of us working longer to build up our decided retirement income. So it's essential to reassess how much you're saving into your pension if you want to make your own vision a reality. For many people, retirement may seem a long way off, and saving into a pension isn't always a top priority.

But the simple truth is the earlier you start, the easier it will be. If you have less time to invest, then the amount of money that you have to save is likely to be higher to make sure your retirement planning is on track. We've provided some ideas to help improve and boost your savings for a more comfortable retirement.

Starting point for your retirement plan

Working out what pensions you already have should be a starting point for your retirement plan. Locate the latest statements you have for all your pensions, including from previous employers and personal pensions. You can also get a forecast of your state pension via www.gov.uk/check-state-pension.

You should be sent an annual statement for each of your pension schemes, including any employer-based arrangements and personal pension plans, even if you are no longer contributing to them. If you don't have up-to-date statements, you can ask for these to be sent to you. You may also be able to access pension values online via your pension company/scheme website.

Valuing your pension

As well as telling you what your pension is worth now, annual statements will also detail what your pension might be worth at retirement.

These forecasts (don't think of them as anything more than rough estimates) will be based on a range of assumptions including investment growth and inflation between now and retirement.

It is important to consider the effect of inflation because over time, this can significantly reduce the spending power of your pension.

Cost of your lifestyle

Whether your pension will be enough to pay for the retirement you want will depend on the savings pot you amass, as well as the cost of your lifestyle when you retire.

Working out what income you will need in retirement may not be straightforward, however. Your life in retirement will be

different from your working life; some costs may go up, while others will reduce.

You may spend more on holidays and leisure (especially in the earlier years of retirement), but your housing costs may be lower. While you may no longer have the costs of bringing up children, you may still want to help them financially, and there could be grandchildren to think of. In your later retirement years, you could have care costs. The traditional rule of thumb has been a target pension income of two thirds of your salary.

Know your magic number

Having accounted for the State Pension and any defined benefit scheme pension, you need to calculate how much money you will need to save to produce the remainder of your target income. This can depend on factors such as the age you want to retire, income yields available on investments, how much prices rise during your retirement and how long you live for – and how much you have put aside already.

If you contribute through a workplace pension, your employer will also contribute on your behalf, and you could qualify for National Insurance savings using a so-called 'salary sacrifice' arrangement. Employer top-ups in particular can significantly increase the value of your pension contributions, so it is worth checking that you are making the most of any workplace generosity offered.

It's also important to be aware that there is a limit on the size of overall pension savings you can accumulate – currently £1.03 million (for 2018/19, and rising annually in line with inflation) – without facing a hefty tax charge of up to 55% on the excess.

This Lifetime Allowance (LTA) for pensions could also be a challenge for people whose retirement savings are currently less than £1 million, as well as individuals with sizeable final salary pension entitlements. Investment growth and ongoing contributions could lead to your breaching the LTA in future.

Alternative wealth opportunities

Pensions are not the only way to save for retirement. Tax-efficient Individual Savings Accounts (ISAs) are a popular savings option, while many people see property – particularly in the form of buy-to-let – as their retirement nest egg.

Timing is everything

Pension freedoms have now given retirees considerable flexibility over how they draw an income or withdraw lump sums from their accumulated retirement savings. Pension savings can be accessed from age 55. You no longer have to purchase an annuity – an income stream for life – and you can choose how much income you take and when to take it.

You could take your whole pension fund as cash in one go – with 25% being tax-free and the rest taxable. Other options include taking a lump sum now, with further withdrawals when you want, or an ongoing regular income (via so-called drawdown or an annuity). However, the danger of these pension freedoms is that people withdraw too much money too quickly and risk running out of money before they die.

It is also possible to pass on your pension savings completely free of tax. So, as well as being a tax-efficient way to invest, pensions can be a very useful way to reduce Inheritance Tax bills.

Seize the day – today

Too many people fail to seriously consider how they are going to manage financially in retirement until they are about to retire. It is only then that they discover that their pension is not on target to meet their retirement aspirations.

When you are living a busy life, it can be difficult to find time to consider your long-term plans. Your mortgage or your children's education might be more immediate financial priorities; your career or running your business can make more pressing demands on your time. However, getting your pension on track as soon as possible could save you and your family a financial headache later on.

Another reason to take advantage of existing pension tax breaks is that there is no guarantee they will be there in the future. The Government has already cut the annual allowance to £40,000 – and as little as £10,000 for very high earners – while reducing the lifetime allowance from its £1.8 million peak in 2011/12. Higher-rate Income Tax relief on contributions could be next, so it makes sense to make the most of what's on offer now. ■

Reaching your wealth goals

Saving for retirement is essential if you want fully to enjoy your later years, but how do you assess how much income you will need? Plus, how much do you need to save to reach your goals? If you would like to review where you are financially, please contact us – we look forward to hearing from you.

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Positive outcomes

Impact investing without sacrificing returns or profits

For those looking to make the world a better place, but not wanting to sacrifice returns or profits, impact investing aims to support a positive social or environmental impact as well as looking to achieve compelling financial returns at the heart of sustainable investing.

The term 'impact investing' was first coined in 2007, although the practice developed over years beforehand. It seeks to generate both social change and a return on capital and ends the old dichotomy where business was seen solely as a way to make a profit, while social progress was better achieved only through philanthropy or public policy.

Not a recent phenomenon

Socially responsible investing is not a recent phenomenon – it can actually be traced back several centuries. Early initiatives were all based on the exclusion of controversial sectors such as tobacco or armaments rather than on investing in businesses which have the power to do good. That's what impact investing is seeking to achieve, and it has begun to gain traction.

The upward swing of impact investing is being led by millennials. This type of investing considers a company's commitment to corporate social responsibility (CSR), or the sense of duty to positively serve society as a whole, before becoming involved with that company. This societal impact differs depending on the industry and the specific company within that industry, but some common examples include giving back to the community by helping the less fortunate or investing in sustainable energy practices.

Social and environmental themes

Once the preserve of the super-rich, individuals and families would come together to identify promising opportunities to make money and do good at the same time. But, increasingly, investor impact strategies are now covering a broader range of social and environmental themes and, in many cases, harness the latest technology or pioneer delivery systems to gain efficiencies and reach those most in need.

Impact investments can be made in both emerging and developed markets and target a range of returns depending on an investor's strategic goals. The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, micro finance, and affordable and accessible basic services including housing, healthcare and education.

Challenging previous long-held views

Impact investing challenges the previous long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns.

The impact investing market directs capital to enterprises that generate social or environmental benefits, and offers diverse and viable opportunities for investors to advance social and environmental solutions through investments that also produce financial returns. ■

Looking for the potential to generate positive outcomes?

Impact investing provides the opportunity to make investments that not only deliver financial returns, but also have the potential to generate positive outcomes that address some of the most imperative challenges that we face as a society, such as climate change and poverty. To find out more, call us to arrange a meeting or simply ask a question. We look forward to hearing from you.

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Seeking a higher retirement income

Retirement needn't be an all-or-nothing decision

The onwards march of 'pretirement' – where people scale back on work or slow their retirement plans down rather than giving up entirely – is continuing, with half (50%) of those retiring this year considering working past State Pension age.

This is the sixth consecutive year[1] in which half of people retiring would be happy to keep working if it meant guaranteeing a higher retirement income. More than a quarter (26%) of those planning to delay their retirement would like to reduce their hours and go part-time with their current employer, while one in seven (14%) would like to continue full-time in their current role. An entrepreneurial fifth (19%) would try to earn a living from a hobby or start their own business.

Factor in the cost of day-to-day living

Around one in twelve (8%) of those scheduled to retire in 2018 have postponed their plans because they cannot afford to retire. Nearly half (47%) of those who cannot afford to retire put this down to the cost of day-to-day living, which means their retirement income won't be sufficient.

The decision to put off retirement isn't always a financial one. Over half (54%) who are already or are considering working past their State Pension age say it is to keep their mind and body active and healthy. Over two fifths (43%) admit they simply enjoy working, while just over a quarter (26%) don't like the idea of being at home all the time.

Wind down from working life gradually

The shift to 'pretirement' in recent years shows that many people reaching State Pension age aren't ready to stop working. Reducing hours, earning money from a hobby or changing jobs are all ways to wind down from working life gradually and, for many, are important to avoid boredom and maintain an active mind and body.

However, not everyone has the option of extending their retirement date if they need to carry on working for financial reasons, and others may be forced to stop working for health reasons. Saving as much as possible as early possible in their career is the best way for people to ensure they are financially well prepared for a retirement that starts when they wish (or need) it to.

More choices than previous generations

Because people are increasingly treating retirement as a gradual process, regular discussions about their personal situation can help ensure that their retirement finances are sufficient to allow them as many options as possible.

Everybody wants to retire as comfortably as possible. But retirement needn't be an all-or-nothing decision – it's not a case of either you're still working full-time or you're completely retired. You've a lot more choice now than previous generations enjoyed. ■

How we can help you?

There are important decisions to make in preparation for your future and at retirement. New rules that came into force in April 2015 offer greater freedom on what you can do with your pension pot. It is important to make sure you understand all your options so that you make the right decision. We can help you at every step – please contact us.

Source data:

[1] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.

Cash may not be king

Pension savers risk a significant tax bill

For most people over the age of 55, it is now possible to cash in or unlock all of your pension. How you take these benefits will depend on the type of scheme you have and how you want to take benefits. But concerns have been raised that some savers may risk running out of cash if they siphon too much out of their pension pots.

There are a number of downsides to taking too much cash from your pension, especially if you are doing it earlier than expected. However, around one in ten (10%) planning to retire this year expect to withdraw their entire pension savings as one lump sum, risking a significant tax bill and an impact on their future retirement income.

The findings[1] are part of unique annual research – now in its 11th year – into the financial plans and aspirations of people planning to retire in the year ahead and shows that, in total, one in five (20%) retiring this year will risk avoidable tax bills by taking out more than the tax-free 25% limit on withdrawals.

Two thirds planning on retiring early

However, they are not necessarily spending all the cash – the main reason given by those taking all their fund in one go was to invest in other areas such as property, a saving account or an investment fund (71%). Interestingly, around two thirds (66%) of people are planning on retiring early.

Since the launch of pension freedom reforms in April 2015, more than 1.1 million people aged 55-plus have withdrawn around £15,744 billion[2] in flexible payments.

Taking advantage of pension freedoms

Government estimates[3] show that around £2.6 billion was paid in tax by people taking advantage of pension freedoms in the 2015/16 and 2016/17 tax years, with another £1.1 billion raised in the 2017/18 tax year.

The most popular use of the cash is for holidays, with 34% planning to spend the money on trips. Around (25%) will spend the money on home improvements, while one in five (20%) will gift the money to their children or grandchildren. Other popular uses include buying cars or paying off mortgages. ■

Don't get penalised by the tax system

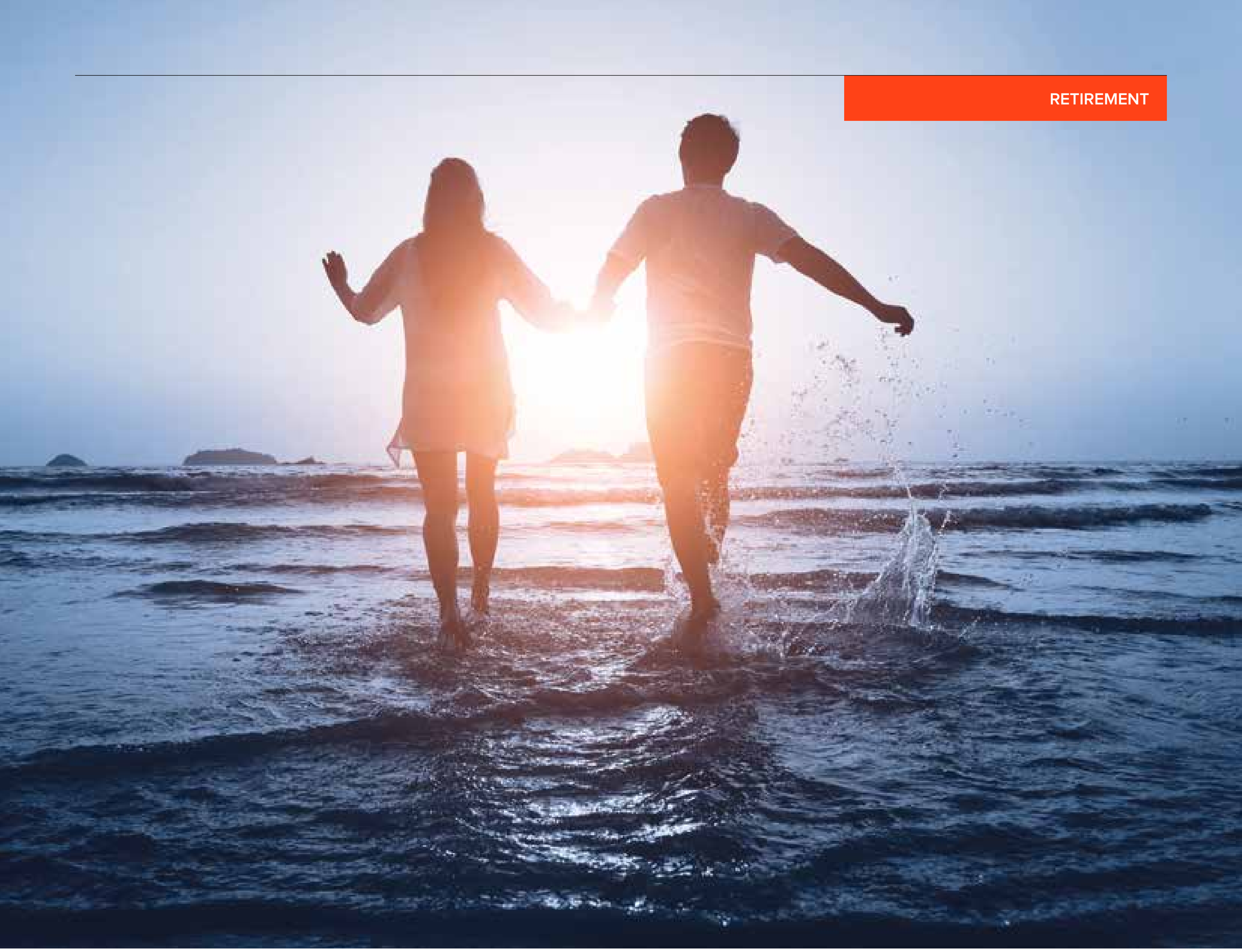
Pensions freedom allows you to have the flexibility on how and when you spend your money without being penalised by the tax system, but it is worrying that some retirees may withdraw more than the tax-free lump sum limit. The risk is even greater if you're taking all of your pension fund in cash. To review your own situation, please speak to us. You can call us to arrange an appointment or ask a question – we look forward to hearing from you.

Source data:

[1] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.

[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/675350/Pensions_Flexibility_Jan_ 2018.pdf

[3] http://obr.uk/overview-of-the-november-2017-economic-and-fiscal-outlook/



What you need to ask yourself before cashing in your pension pot

Q: Have you considered what the tax implications are?
A: At the heart of any pension transaction you undertake, tax planning is a major consideration. Only the first 25% of the amount that you drawdown from your pension pot is tax-free, and the remaining 75% is taxed as earned income.

Q: Will your money last the duration of your retirement years?
A: Before taking the cash, it is crucial to think about whether you will have enough money to last the duration of your retirement. It's not a one-off decision: you should regularly review your choices throughout your retirement, as your needs evolve and income needs may change.

Q: Will your pension scheme allow you to cash in your pension pot?
A: If you're convinced that cashing in your pension pot is the right move for you, you need to ensure that your pension scheme allows you to do so. If not, it means that you'll need to transfer your savings into a suitable pension scheme to be able to access your cash.

Q: Are you aware of the companies running pension scams?
A: Pension savers getting scammed out of their retirement savings is a real issue. The problem is that many of these scams look perfectly legitimate so are not easy to spot. Others offer investment returns which are too good to be true. You can visit the FCA's ScamSmart website, which includes a warning list of companies operating without authorisation or running scams – www.fca.org.uk/scamsmart.

Q: Have you sought professional financial advice about your plans?
A: Not seeking professional financial advice can be very risky, especially when it comes to deciding how to eventually take your pension. If you get it wrong, it could be very costly and have a considerable impact on your retirement lifestyle and standard of living. We'll make sure that the action you take is the right one for you, your family and your needs. ■

Festive gifts

Building wealth for a solid financial future

As a parent, guardian or grandparent, you'll want to provide the best future for your children or grandchildren that you can. Christmas is an excellent time to encourage children to start thinking about the value of money. Many children have hundreds of pounds spent on them at Christmas. But could that money be put to better use? Rather than buying yet more toys for your children or grandchildren, why not consider setting up a tax-efficient Junior ISA for them?

With today's kids likely to need thousands of pounds to get them through university and onto the property ladder, a Christmas gift that will help with some of these expenses is well worth considering.

If the investment is allowed to grow, it could build up into a sizeable sum. The money could then be given to the child as an adult. The capital may be enough to cover tuition fees and possibly board and lodging as well, or a deposit for their first property.

Junior Individual Savings Account (JISAs)

A JISA is a tax-efficient children's savings account where you can make contributions on the child's behalf, subject to an annual allowance. Any gains do not incur Capital Gains Tax and they will not be considered part of the parents' or grandparents' estate for Inheritance Tax purposes.

Nevertheless, the child will automatically get access to the money when they turn 18 and can choose what to do with it. If the account stays in the parents' or grandparents' names, however, the parents or the grandparents would be able to decide how the money is used, but it would be considered part of their estate for Inheritance Tax purposes for seven years after it has been gifted to the adult child or grandchild.

There are two types of JISA – a Cash JISA and a Stocks & Shares JISA:

- Junior Cash ISAs – these are essentially the same as a bank or building society savings account. But Junior Cash ISAs come with one big advantage: your child doesn't have to pay tax on the interest they earn on their savings, and you don't have to either.
- Junior Stocks & Shares ISAs – with a Junior Stocks & Shares ISA account, you can put your child's savings into investments like shares and bonds. Any profits you earn by trading shares or bonds are tax-efficient.

A child's parent or legal guardian must open the Junior ISA account on their behalf. Money in the account belongs to the child, but they can't withdraw it until they turn 18, apart from in exceptional circumstances. They can, however, start managing their account on their own from age 16.

The Junior ISA limit is £4,260 for the tax year 2018/19. If more than this is put into a Junior ISA, the excess is held in a savings account in trust for the child – it cannot be returned to the donor. Parents, friends and family can all save on behalf of the child as long as the total stays under the annual limit. No tax is payable on interest or investment gains.

When the child turns 18, their account is automatically rolled over into an adult ISA. They can also choose to take the money out and spend it how they like.

Pensions

A pension is one of the greatest gifts you could give children this Christmas. Children's pensions benefit from the same advantages as adult pensions. That means no tax is payable on income from investments or capital growth in the pension, provided they remain within the annual and lifetime allowances.

The annual allowance is the limit on the amount that can be contributed to a pension each year while still getting tax relief. For the 2018/19 tax-year, it's £40,000, or the value of your whole earnings – whichever is lower.

The lifetime allowance relates to the value of all your pensions. If this is more than £1,030,000, anything over this limit will be taxed when you start using it. No withdrawals can be made until age 55, rising to 57 by 2028 and 58 by 2044.

The child's parent or guardian will need to set up the pension, but once opened, grandparents, friends and relatives can make contributions into it. The maximum that can be paid into a child's pension is £2,880 per year.

You could pay in a lump sum all at once, or spread your contributions out across the year by investing a smaller amount each month. If the maximum annual contribution is made, the state will top it up by £720, making a total contribution of £3,600.

Investment account

For tax reasons, this approach may best be suited to grandparents. Grandparents can set up a designated account for a grandchild and invest a capital sum in it. The grandchild's initials are put in the designation box when the account is set up, creating a bare trust.

As a result, HM Revenue & Customs will view income and gains from the investment as being attributed to the minor, who will have their own Income Tax and Capital Gains Tax allowance, so there will be no tax implications for the grandparents.

Any money invested in this way leaves the grandparents' estate seven years after it has been gifted. At 18, the grandchild is legally entitled to the money, however, and can use it however they see fit – which may not necessarily be for education.

Many parents and grandparents want to set up their children or grandchildren to enjoy a secure financial future. Yet paying down student debt is not necessarily the best option if they have a spare capital sum to invest. They could also consider helping their children or grandchildren to save towards a deposit for a property or start a pension for them so that they have security in later life. ■

Give a festive financial gift this Christmas

Time is a powerful ally of all investors – so where you are investing on behalf of children, you start with a great advantage of the power of compounding as profits are re-invested year on year. If you would like to discuss the options available to you, please contact us – we look forward to hearing from you.

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Saint Catherine’s

A Sunrise Walk for a fantastic cause

Saint Catherine’s is a hospice in Scarborough that provides care and support at home and in the hospice for adults with a terminal illness, and also helps provide support to their families and friends.

Their services allow patients to remain as active as possible and make the most of everyday life. Moneyweb were therefore proud to be the official sponsors of Saint Catherine’s Sunrise Walk, which took place on Saturday 15 September.

They say that the early bird catches the worm, so this year Saint Catherine’s decided to seize the opportunity to freshen up the format of their traditional Starlight Walk. The Sunrise Walk was a 6.5 mile walk that started at Saint Catherine’s at 5.30am. The team stepped out in force and teamed up with Channel 4’s Coach Trip’s Brendan Sheerin, who also took part in the walk. The participants were given the glorious opportunity of watching the sun rise over the sea as they strolled along the North and South Bays of Scarborough.

To find out more about the fantastic work Saint Catherine’s do, please visit **www.saintcatherines.org.uk**. ■

Investing in your child's future

Without planning ahead, the cost can be a huge money sink

While many parents value the standard of education offered by independent schools or universities, the costs can be daunting. However, with careful planning, it may be possible to avoid a huge outstanding student loan or tax burden.

A good education will give your children or grandchildren the best start in life. With more parents choosing to opt out of state schools and educate their children privately, plus some children continuing their education into their early twenties, the costs can carry on for many years.

Financial sacrifice

The overall cost for just one child can end up being about the same as buying an average home in the UK. That's a massive financial sacrifice for many parents, leading them to wonder if it's better to pay for their child's education or save the money to help them onto the property ladder later in life. In any case, without planning ahead, the cost can be a huge money sink or lead to further borrowing. Since 2004, private school fees have increased by 70% – at a much faster rate than inflation and UK salary growth.

Private school fees continue to rise much faster than inflation or average earnings, making it more important than ever for parents considering taking this route to plan ahead.

Fees breakdown table

Stage	Day school (£)	Boarding school (£)
Prep school	12,516	23,550
Secondary school	14,103	31,854
Sixth form	14,538	33,729

Source: *Information sourced from Independent Schools Council*

What to consider

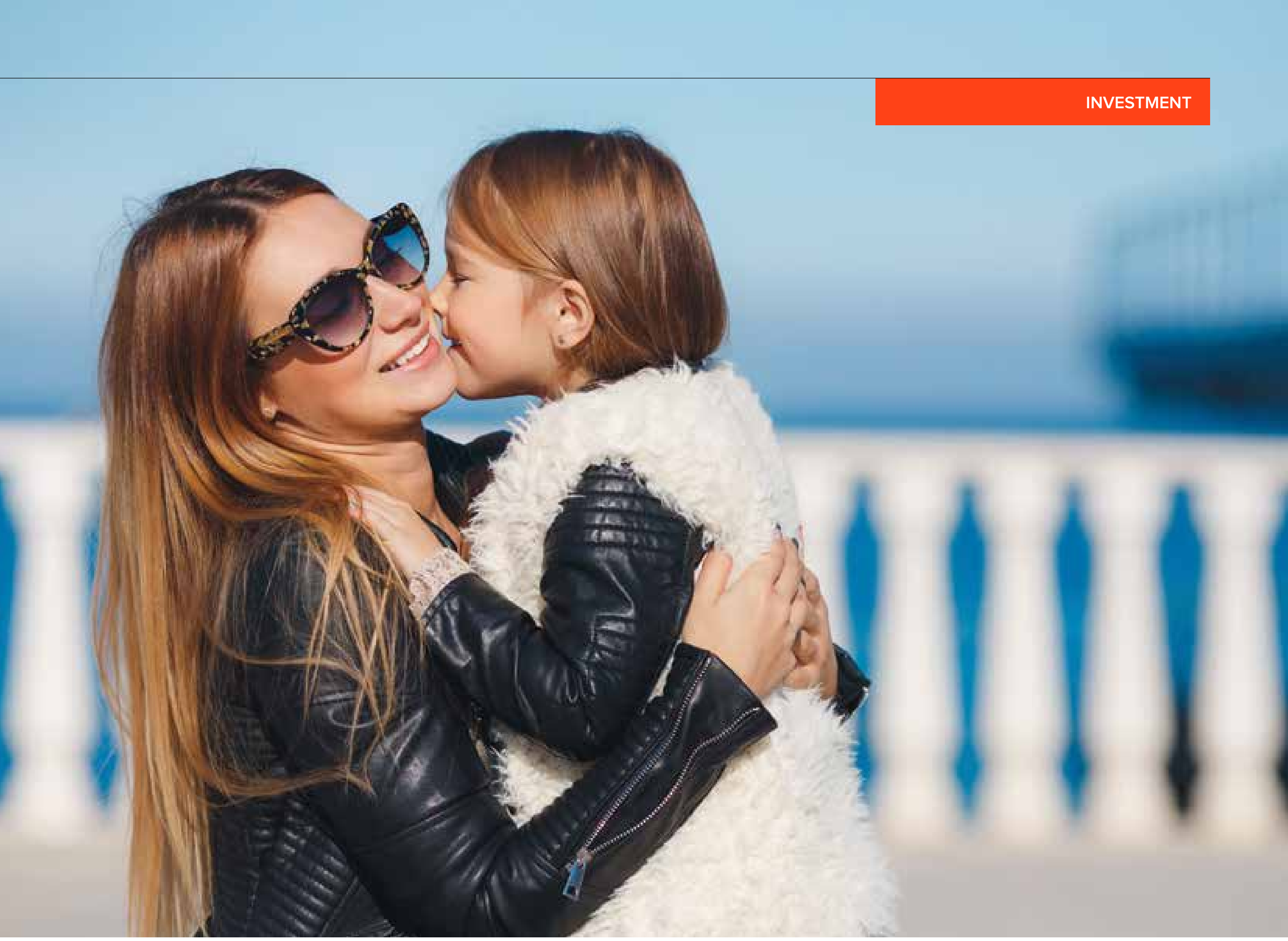
Expect fees to rise on average around 3.5% a year – inflation, growth in salaries and increased amount of interest from wealthy families in Asia and Russia wanting to send their children to English boarding schools mean that private education fees may continue to grow.

Don't assume the cost will end at fees – school uniforms and regular school trips all add up. There will be extra-curricular activities such as art, drama, music and sport to absorb as well.

Boarding can be more than double the cost of day school – by deciding not to board, annual savings of around £15,000 annually per child can be made. So, consider the location of the school, and consider whether it is feasible to commute every day or weigh up the advantages of relocating close to the chosen school.

Mixing private education with state education – many parents are now delaying private education until secondary school to reduce the cost to below £100,000.

Planning for and researching the right school is often the exciting element, particularly when Open Days allow



tours of delightful schools in bucolic surroundings. The hard work starts when analysing how the long-term annual costs are going to be paid for.

Suggestions on how to manage the costs:

Start planning early – put simply, the financial planning can't start early enough, even to the extent of allocating money before any children are born. Simply paying school fee costs from current income or capital removes the ability to benefit from the 8th wonder of the world (according to Einstein), which is the magic of compounding returns.

Advance schemes – if you can afford to pay for several years in advance, you may be able to get yourself a good deal from the school. Some schools offer to put that lump sum in low-risk investments – and because of their charitable status, they'll avoid paying Capital Gains Tax on any returns they make. In exchange for pre-payment, a fee discount will be offered by the school. There are terms and conditions and strings attached, but this is worth investigating.

Bank of grandparents – grandparents may want to consider helping to pay for grandchildren's school fees or additional extras such as schoolbooks, trips and uniforms. If grandparents do have the capacity to help financially, this could mean that a useful by-product could be a reduction in their own Inheritance Tax liability, along with the joy of the gift.

Discounts and scholarships – although discounts aren't always publicised and can sometimes be discretionary, it costs nothing to ask. A lot of private schools are willing to provide discounts for enrolling multiple children or even paying fees by monthly direct debit. Always ask about any scholarships or bursaries your child might be eligible for. According to the Independent Schools' Council, a third of children educated at a private school now receive some sort of help with fees.

Good alternative option

Private education is not a feasible option for every family, and with an excellent selection of state schools on offer, it doesn't have to be the only good option. There are many other ways to invest in your child's future. For example, if you invested the money you would have spent on day school fees for a full 14 years on your child's behalf, you could provide a sum that could be used to potentially fund university, buy them a house, learn a new skill or set up their own business. ■

Most valuable gifts parents or grandparents can give

Providing a good education can be one of the most valuable gifts parents or grandparents can give to children. And for those parents hoping to send their children to private school, it is essential to start working out how they will cover costs as soon as possible. To discuss your requirements, or to arrange a meeting, please contact us.

Financial protection

Families left in a precarious situation if the unforeseen were to happen

We all intend that our plans will come good. But making sure that you and your family can cope if you fall ill or die prematurely is something we can too easily put to one side. In particular, a recent study identified that financial protection is something that millions of fathers in the UK, and their families, could benefit from.

More than half (58%) of men in the UK with dependent children have no life insurance, meaning that just over 4.5 million dads[1] are leaving their families in a precarious situation if the unforeseen were to happen. Worryingly, this has increased by five percentage points compared with 2017, a year-on-year increase of around 542,000 individuals[2].

Financial hardship

Despite a fifth (20%) of dads admitting their household wouldn't survive financially if they lost their income due to long-term illness, only 18% have a critical illness policy, leaving many more millions at risk of financial hardship if they were to become seriously ill.

Critical illness insurance – this doesn't usually pay out if you pass away, so it's not always suitable if you want to make sure your family are provided for after you've gone. This is where life insurance comes in.

Life insurance – this insurance usually only pays out if you pass away. It's designed to help your family maintain their lifestyle after you've gone, for example, to pay off a mortgage or other loans and provide for children's university fees.

Many insurers will offer both types of cover combined.

No savings

If they were unable to work due to serious illness, 16% of fathers say they could only pay their household bills for a minimum of three months. More than two fifths (45%) say they'd have to dip into their savings to manage financially, but 17% admit that their savings would last for a maximum of just three months, and 12% say they have no savings at all.

On top of this, many fathers are leaving themselves and their families unprepared for other aspects of illness or bereavement. 16% of them aren't sure who would take care of them if they fell ill, and more than two fifths (42%) don't have the protection of a Will, power of attorney, guardianship or trust arrangement in place for their families.

Risky position

This is an especially risky position for the two thirds (66%) of UK fathers who are the main breadwinner in the family, and it's clear that many are in lack of a 'Plan B'.

Many fathers don't consider having insurance as a necessity, with 16% of those without saying they don't see critical illness cover as a financial priority, and 20% saying they don't think they need it. The value of protection, however, is to provide long-term peace of mind about having financial security in place for your dependents.

Seek advice

Life is full of uncertainties – and while we insure cars, houses and even holiday arrangements, when it comes to ourselves and our family, often insurance is overlooked and undervalued. The simple truth is we can get too ill to carry on working or tragically die too soon, either through serious illness or accident. These events are random, and they can potentially affect us all.

Recent changes to bereavement benefits, and their continued unavailability to those in cohabiting relationships, mean that it's more important than ever for fathers to review their financial protection needs and seek advice to make sure their household is covered.

Unforeseen circumstance

The impact of losing the family breadwinner can be devastating – missed mortgage repayments, savings depleted, your home being sold, your family's standard of living eroded, with stress and worry all too evident.

Whether it is your family or other loved ones, it's essential to make sure that the people and things that matter to you are taken care of – whatever life throws at you. ■

Source data:

All figures, unless otherwise stated, are from Opinium Research. The survey was conducted online between 5 and 12 April 2018, with a sample of 5,022 nationally representative UK adults.

[1] Percentage of adult population that are fathers with dependents = 762/5022 = 15.17%; 15.17% of adult population of 51,767,000 = 7,854,730 million; 58% of these don't have cover so 4,545,848 million

[2] Percentage of adult population that are fathers with dependents = 735/5077 = 14.48%; 14.48% of adult population of 51,767,000 = 7,495,861 million; 53% of these don't have cover so 4,003,721. Difference of 542,127 compared with 2017

Creating a durable plan for the future

We understand that expert advice on financial matters is invaluable in creating a durable plan for the future. To discuss what's best for you and your family if the unforeseen were to happen, contact us so we can find the solution that's right for you.

PROTECTION PLANS USUALLY HAVE NO CASH IN VALUE AT ANY TIME AND WILL CEASE AT THE END OF THE TERM. IF PREMIUMS ARE NOT MAINTAINED, THEN COVER WILL LAPSE.

CRITICAL ILLNESS PLANS MAY NOT COVER ALL THE DEFINITIONS OF A CRITICAL ILLNESS. THE DEFINITIONS VARY BETWEEN PROVIDERS AND WILL BE DESCRIBED IN THE KEY FEATURES AND POLICY DOCUMENTS IF YOU GO AHEAD WITH A PLAN.

Cash stash

Study exposes a whole host of financial secrets

It's bad news for romantics, according to the latest annual research[1] into the retirement aspirations and financial planning of UK couples aged 40 and over. This identifies that nearly one in three couples (31%) have secret savings or investments that they have deliberately started without telling their partner or spouse. And it's not just a few pounds, as 7% admit to hiding savings of over £50,000.

Individuals who have not formally tied the knot and are simply living together are much more likely to keep part of their financial life hidden from the other person in the relationship. But the study exposed a whole host of financial secrets – couples do not keep just their savings secret, as more than a fifth (21%) say their partner doesn't even know how much they earn, while 19% hide debts.

Secret finances

Do you spend in secret, or stash cash your spouse doesn't know about? Lack of trust seems to be a driving force behind many secret finances. A third (34%) admit they have no specific plans for their secret income but just don't want their partner to be able to access all their money. Nearly a quarter (22%) do not trust their partner to make the right decision about their finances so want to keep control.

More than two fifths (44%) of those keeping income secrets say their basic salary is higher than their partner thinks it is, while a quarter (25%) have income from an investment that their partner is not aware of.

Main motivations

Men are more likely to squirrel away their savings – with a third (33%) keeping a secret stash compared to 28% of women. While men and women are relatively similar in what they want to spend the money on, more than double the number of women have secret savings as security in case of a break up (15% compared to 6% of men).

Despite the potential tax benefits of jointly saving into a pension, retirement is one of the main motivations for secret savings. Around a third (33%) of all couples say they want their cash for retirement. However, 13% simply want to keep their savings hidden so they can buy what they want with the money.

Honest conversations

It isn't just extra income and savings that some people keep hidden, as a fifth (19%) are keeping debts secret from their partner. For the majority, these debts arose from general living costs (62%), but for others the debt was caused by overspending due to previous relationships, with 22% getting into the red after a break up while 10% inherited the debt from a past relationship.

Saving money is always a good idea, but doing it so that you are protected in the event of a relationship breaking down means missing out on potential tax benefits. At any stage of a relationship, it is important to have open and honest conversations about finances. However, it becomes especially relevant when approaching retirement, as decisions made then will impact the rest of your life. ■

Obtaining professional financial advice

Couples approaching retirement should consider obtaining professional financial advice about their income and working out a plan for funding their lifestyle. If you would like to discuss your situation, or to arrange a meeting, please contact us.

Source data:

[1] Consumer Intelligence conducted an independent online survey for Prudential between 29 January and 7 February 2018 among 1,000 non-retired UK adults aged 40+ who currently live with their spouse or partner.

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