

ECFS

Independent Financial Advisers

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ARE YOU FIT TO RETIRE?

Getting your pension in shape to enjoy the kind of lifestyle you want in later life

RETIREMENT FREEDOMS

What are the income options for your pension?



ADVICE WITH YOU IN MIND

One of the most important relationships you may ever have

ALTERNATIVE ASSETS

Investment company growth story of the decade

WHY NOW IS THE TIME TO REVIEW YOUR PENSION

Taking an active interest in your retirement savings

ADVENT OF CROWDFUNDING

Innovation in both finance and technology

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INSIDE THIS ISSUE

Welcome to our latest issue. At the time of going to print, the outcome of the EU Referendum – to decide whether Britain should leave or remain in the European Union – had not been announced so we're unable to offer our commentary in this issue, but we'll assess the outcome and the impact on your financial plans in the next issue.

'Will I be able to afford the retirement lifestyle I want?' is a question that many people ask but struggle to figure out. On page 04, we consider the ways to assess your likely income in retirement and how much you need to put away now to enjoy the kind of lifestyle you want in later life. Funding a comfortable retirement will be the biggest financial priority for many people, yet some people spend more time planning their holiday than their own retirement – perhaps because planning for retirement seems too complicated to think about?

If you've accumulated numerous workplace pensions over the years from different employers, it can be difficult to keep track of how they are performing. The process of bringing all your pensions together is called 'consolidation'. It is often referred to as a transfer. If you have more than one pension pot, you might want to consider consolidating all of your pots into one for simplicity. You may also benefit from lower charges by doing this. Read the full article on page 11.

Deciding what to do with your pension savings is an important step we will all have to take. Following changes introduced in April 2015, on page 08 we look at how you now have more choice and flexibility than ever before over how and when you can take money from your pension pot. These changes give you freedom over how you can use your pension pot(s) if you're 55 or over and have a pension based on how much has been paid into your pot (a defined contribution scheme).

The full list of the articles featured in this issue appears opposite. To discuss any of the articles featured in this issue, please contact us.



CONTENTS

03 ADVICE WITH YOU IN MIND

One of the most important relationships you may ever have

04 ARE YOU FIT TO RETIRE?

Getting your pension in shape to enjoy the kind of lifestyle you want in later life

06 ALTERNATIVE ASSETS

Investment company growth story of the decade

08 RETIREMENT FREEDOMS

What are the income options for your pension?

09 LACK OF PREPARATION FOR THE UNEXPECTED

A quarter of us could only afford to pay household bills for a maximum of three months

10 ADVENT OF CROWDFUNDING

Innovation in both finance and technology

11 MANAGING YOUR RETIREMENT SAVINGS

Consolidating your separate pensions into one single pension wrapper

12 WHY NOW IS THE TIME TO REVIEW YOUR PENSION

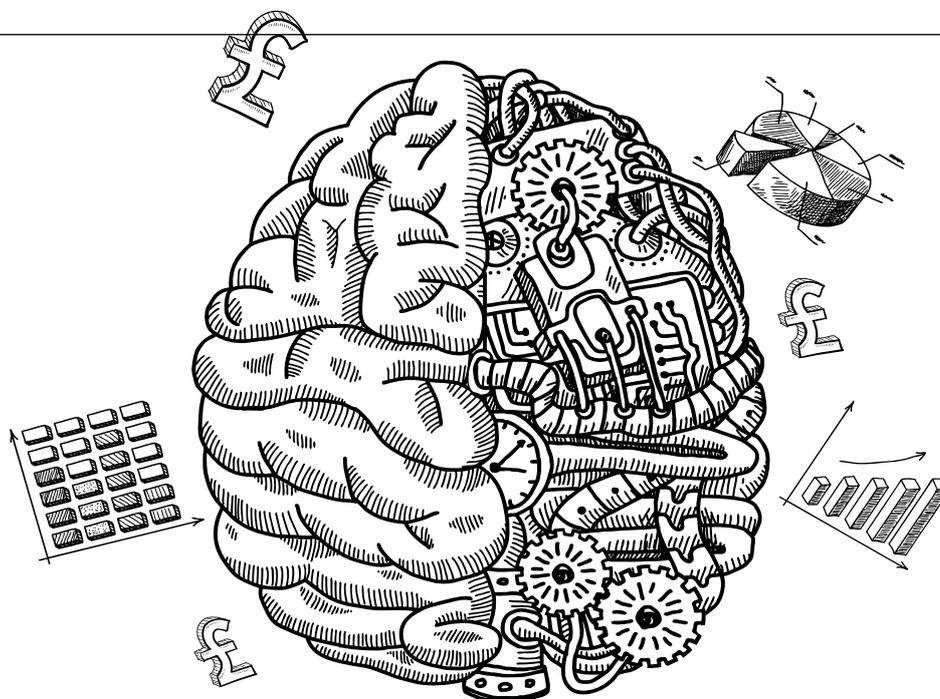
Taking an active interest in your retirement savings

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.

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ADVICE WITH YOU IN MIND

One of the most important relationships you may ever have

FEW PEOPLE REALLY HAVE THE TIME TO UNDERSTAND THE SIGNIFICANT NUMBER OF FINANCIAL PRODUCTS ON THE MARKET AT ANY TIME. IF YOU'RE LOOKING TO INVEST, BUY A PROTECTION PRODUCT OR PLAN FOR THE LONGER TERM, EXPERT PROFESSIONAL FINANCIAL ADVICE IS ESSENTIAL TO HELP ENABLE YOU TO CREATE A FINANCIAL PLAN THAT IS REALISTIC.

One of the most important relationships you may ever have is the one with your professional financial adviser. The advice process allows you to assess your financial goals, investment time frame and tolerance for risk, and to monitor these over time. In addition, you can obtain guidance in times of market downturns and personal financial stress, ensuring that your strategy is tailored for your changing needs and circumstances.

INVESTMENT CHOICES

With a vast array of products and information available, the thought of wading through them and choosing an investment can be quite daunting. In addition, considering the busy lives we lead, it can be difficult to find the time to keep fully up to speed with everything that's going on. We help you to make an informed decision based on your investment objectives, understand which products are available and select the best options to suit your investment needs.

RISK AND RETURN

Investing is as much about managing the potential downside as it is about looking for potential gains. Typically, investments with the potential for a higher return also carry a higher risk due to the more volatile sectors and regions that are targeted. We explain the risk and return trade-off and gauge your attitude

towards risk for return. From this, we can ensure that your portfolio has the right balance of risk by diversifying across regions, providers and products as appropriate.

EXTRACTING INFORMATION

Understanding the jargon used within the financial industry and extracting the important information can be difficult and time-consuming. We help you to translate current events and bring out hidden facts in seemingly endless product literature. So whether you want to understand the implications of interest rate increases or a change in pension freedoms legislation, we'll discuss how each issue could directly affect you.

CONTINUAL REVIEWS

As time passes, both markets and your lifestyle can change dramatically. This consequently means that it is important to keep your investments under continual review so that you can get the most out of them. Anything in your life, such as your age or personal situation, could potentially affect the requirements you have for your investments. We'll assist in reviewing and, if necessary, adjusting your portfolio to help it meet your evolving needs.

UNFORESEEN EVENTS

With markets constantly on the move and unforeseen events sometimes having significant

impacts, the need for ongoing adjustments to your investments can be extremely important, and staying on top of this can be a full-time job which very few of us have time for. Taking this important responsibility off your hands and putting it with us can help you to feel more confident that your investments are in the most suitable place for your individual requirements. ◀

ARE YOU BUILDING THE FUTURE YOU'VE DREAMED OF?

Whether your plan is to retire comfortably, put your children through university or protect your loved ones, we can help you to build the future you've dreamed of for you and your family. If you would like to discuss any areas of your financial well-being, please contact us.

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ARE YOU FIT TO RETIRE?

*Getting your pension in shape to enjoy the
kind of lifestyle you want in later life*

'WILL I BE ABLE TO AFFORD THE RETIREMENT LIFESTYLE I WANT?' IS A QUESTION THAT MANY PEOPLE ASK BUT STRUGGLE TO FIGURE OUT. THERE ARE MANY WAYS TO ASSESS YOUR LIKELY INCOME IN RETIREMENT AND WORK OUT HOW MUCH YOU NEED TO PUT AWAY NOW TO ENJOY THE KIND OF LIFESTYLE YOU WANT IN LATER LIFE.



Funding a comfortable retirement will be the biggest financial priority for many people, yet some people spend more time planning their holiday than their own retirement – perhaps because planning for retirement seems too complicated to think about?

We know that we want an active, comfortable retirement but often don't know where to start the savings and investment process. The starting point is to obtain professional financial advice and set a plan in motion that is reviewed at least annually to enable you to build the future retirement you want.

KEY CONSIDERATIONS FOR MOST PEOPLE

Everybody's circumstances are different, but the key considerations for most people when they think about retiring will come down to factors such as whether they're renting, paying a mortgage, have any debt, plan to keep working, and how much money they have saved in pensions and other investments.

It's also important to bear in mind that your life changes when you retire – and so does the way you spend your money. The increases in the cost of living with inflation are another important consideration. While the State Pension increases with inflation (with the 'triple lock', increases can exceed inflation), income from your pension might not, depending on how you decide to take your money.

START SAVING FOR YOUR PENSION EARLY

If you start saving for your pension early in your working life, it may be difficult to predict what your needs will be when you retire. Ideally, you should aim to put away as much as you can afford, but don't worry if it's not as much as you'd like to start with. It can be better to save small amounts that have a long time to grow in value. As your income improves, you may be able to increase how much you put away for your pension.

If you've started to save later in your working life, you may have a better idea of what your circumstances are likely to be, which can make it easier to work out what level of income you'll need for your retirement. However, you'll have less time to save it up, and the amount of money you'll need to save may be higher.

EVERYBODY'S CIRCUMSTANCES ARE DIFFERENT, BUT THE KEY CONSIDERATION FOR MOST PEOPLE WHEN THEY THINK ABOUT RETIRING WILL COME DOWN TO FACTORS SUCH AS WHETHER THEY'RE RENTING, PAYING A MORTGAGE, HAVE ANY DEBT, PLAN TO KEEP WORKING, AND HOW MUCH MONEY THEY HAVE SAVED IN PENSIONS AND OTHER INVESTMENTS.

ACHIEVING FINANCIAL FREEDOM

Saving for retirement is essential if you want the financial freedom to enjoy your later years. Things to consider include:

- Deciding how much money you want each year in retirement
- Calculating how big your pension pot needs to be to give you that income
- Working out how much you should be saving today in order to build that kind of pension pot value

Remember: you're perhaps unlikely to have a mortgage and other big expenses at this stage in your life, so you may need a lot less than you do when you're working. The ratio tends to go up for those on lower salaries, as you'd expect.

KNOW YOUR NUMBER

Next, you want to work out how big your pension pot needs to be in order to achieve the retirement income you want. One rule of thumb is to take the annual retirement income you'd like – let's say it's around £50,000 – and then multiply that by 20. So in this example, to achieve a retirement income of £50,000, you'd need to build up a pension pot worth in the region of £1,000,000.

YOUR ANNUAL ALLOWANCE

You can receive income tax relief on your own contributions to pension plans. You can contribute up to the greater of £3,600 and 100% of your salary.

The standard annual allowance is currently set at £40,000 for the current 2016/17 tax year (higher earners or those who have flexibly accessed their pensions may have a lower figure). If the contributions paid on your behalf (including

any employer and personal contributions) exceeds the standard annual allowance, then you may have to pay a tax charge based on the highest rate of Income Tax that you pay. ◀

NEED TO BOOST YOUR FUTURE RETIREMENT INCOME?

There are a number of things you can do to boost your future retirement income, wherever you currently are in the planning process. Everyone's retirement needs are different, and planning for your retirement is just like any other kind of budgeting you have to do: it requires calculating some numbers, implementing a plan and continually reviewing it until you reach your goal. To review your current situation or to obtain further information, please contact us – we look forward to hearing from you.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. 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.



ALTERNATIVE

ASSETS

Investment company growth story of the decade

OVER A THIRD OF THE INVESTMENT TRUST COMPANY SECTOR IS INVESTED IN ALTERNATIVE ASSETS SUGGESTS RESEARCH FROM THE ASSOCIATION OF INVESTMENT COMPANIES (AIC). THE TERM 'ALTERNATIVE' IS USED TO COVER MANY OTHER TYPES OF INVESTMENTS THAT ARE NOT TRADED ON STOCK MARKETS. THESE MIGHT INCLUDE THE SHARES IN PRIVATE COMPANIES, PHYSICAL PROPERTY OR INFRASTRUCTURE PROJECTS. DUE TO THE NATURE OF MANY OF THESE 'ALTERNATIVE' INVESTMENTS, THEY WILL ONLY BE SUITABLE FOR A VERY LIMITED NUMBER OF INVESTORS. PROFESSIONAL ADVICE SHOULD BE TAKEN BY ANY INVESTORS CONSIDERING SUCH 'ALTERNATIVES'.

FUNDS OF THEIR DAY

The investment company sector has always been innovative – the first collective investment vehicles in the late 1800s were, after all, closed-ended funds. Many of the early launches were investing in the American railway boom; they were, perhaps, the original infrastructure funds – the alternative assets funds of their day.

According to the AIC, over a third (39%) of the investment company sector by assets now invests solely in alternative assets, and over 80% of this is in investment companies that have been launched over the last decade. Alternative assets are a broad church, and there's a diverse choice for investors – not least from an income perspective.

TAKE A LONG-TERM VIEW

The investment trust structure can be an appropriate way of accessing alternative assets

because managers can take a long-term view without having to worry about inflows and outflows, but there's a lot to consider.

Much of the growth story in the alternative assets sector over the last decade has been fuelled by investor appetite for yield. There are many types of alternative asset classes including property, private equity, hedge funds and specialist debt.

TYPES OF ALTERNATIVE ASSETS

There are many types of alternative asset classes. Here are just some of the most popular:

PROPERTY

There are a wide range of investment trust companies investing in property. Some specialise in investing in commercial property, others in residential. Some specialise in particular types of property



THE RISKS

As with all investment trust companies, investment companies investing in alternative assets come with risks to your income and capital. You should make sure you are happy with the amount of risk you are taking on before you invest.

Valuations – Unlike listed shares and securities, many alternative assets do not have a precise market value. Though the methodologies used to value them are robust and well-established, they can only be an approximation. Where assets are illiquid, they may only be valued on a quarterly basis.

Gearing – Investment companies investing in alternative asset classes will often use gearing. This can help to boost your immediate income and long-term capital growth but will also increase any losses that you might make.

Discounts/premiums – In recent times, due to the fall in interest rates, many income-orientated investment companies are standing 'at a premium'. This means that you are paying more for the shares than the value of the underlying assets. This may be a price you are prepared to pay for an attractive level of income, but you should bear in mind that, over time (for example, if interest rates rise), these premiums may fall and could move to a discount. This means that the share price performance will be worse than that of the portfolio and could increase any losses you make.

THE INVESTMENT COMPANY STRUCTURE IS AN APPROPRIATE WAY OF ACCESSING ALTERNATIVE ASSETS BECAUSE MANAGERS CAN TAKE A LONG-TERM VIEW WITHOUT HAVING TO WORRY ABOUT INFLOWS AND OUTFLOWS, BUT THERE'S ALSO A LOT TO CONSIDER.

SPECIALIST DEBT

Investment trust companies can also invest in a wide range of specialist forms of debt, such as asset-backed securities, distressed and sub-investment grade debt, and peer-to-peer loans. These types of instruments tend to provide a high level of income but can also be more risky than other forms of debt.

Many alternative asset classes are quite specialist and illiquid, or require sizeable minimum investments, making them difficult for ordinary investors to invest in directly.

Investment companies enable smaller investors to access these asset classes more easily, as you can buy shares in the investment company on the stock market like any other listed company.

As with all investment companies, investment companies investing in alternative assets come with risks to your income and capital. You should make sure you are happy with the amount of risk you are taking on before you invest.

(such as clinics providing for healthcare). Some invest primarily in the UK, others in Europe or even further afield. Property investment companies might own the property directly or, alternatively, invest in the shares of property companies.

PRIVATE EQUITY

Private equity means investing in the shares of private companies as opposed to companies whose shares are traded on stock markets. Private equity often involves investing in companies with the aim of helping them grow and eventually selling them for a profit. These companies can be riskier in the short term but can deliver strong returns over the long term.

HEDGE FUNDS

A hedge fund is a fund that employs a wide range of sophisticated investment techniques, including derivatives, often with the aim of producing positive returns in all markets. In a 'feeder-fund', the investment company invests in a single hedge fund run by the same manager. In a 'fund of funds', the investment company invests in a range of different hedge funds run by different managers.

INFRASTRUCTURE

Infrastructure investment companies invest in contracts to develop and run long-term capital expenditure projects in public sectors such as transport, healthcare and schools. These contracts are for the long term

(20–50 years) and aim to deliver a stable income over the period of the contract, often linked to inflation. ◀

WHY CONSIDER INVESTMENT COMPANIES FOR ALTERNATIVE ASSETS?

Whether you are looking to diversify your existing portfolio, boost your income or maximise long-term capital growth, investment companies can provide one way to access alternative asset classes as part of a long-term balanced portfolio. To find out more, please contact us.

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AS WITH ALL INVESTMENT COMPANIES, INVESTMENT COMPANIES INVESTING IN ALTERNATIVE ASSETS COME WITH RISKS TO YOUR INCOME AND CAPITAL. YOU SHOULD ALWAYS MAKE SURE THAT YOU ARE HAPPY WITH THE AMOUNT OF RISK YOU ARE TAKING BEFORE YOU INVEST.

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RETIREMENT FREEDOMS

What are the income options for your pension?

DECIDING WHAT TO DO WITH YOUR PENSION SAVINGS IS AN IMPORTANT STEP WE WILL ALL HAVE TO TAKE. FOLLOWING CHANGES INTRODUCED IN APRIL 2015, YOU NOW HAVE MORE CHOICE AND FLEXIBILITY THAN EVER BEFORE OVER HOW AND WHEN YOU CAN TAKE MONEY FROM YOUR PENSION POT. THESE CHANGES GIVE YOU FREEDOM OVER HOW YOU CAN USE YOUR PENSION POT(S) IF YOU'RE 55 OR OVER AND HAVE A PENSION BASED ON HOW MUCH HAS BEEN PAID INTO YOUR POT (A DEFINED CONTRIBUTION SCHEME).

WHEN AND HOW YOU USE YOUR PENSION

Whether you plan to retire fully, reduce your hours gradually or to carry on working for longer, you can now tailor when and how you use your pension – and when you stop saving into it – to fit with your particular retirement plans.

Currently, the minimum age you can take any workplace or personal pension is age 55. You need to check with your scheme provider or insurance company to make sure the scheme will allow this. This is proposed to increase to age 57 by 2028.

From 2028 onwards, the proposal will be for the minimum pension age to increase in line with the State Pension age. This means there will be a ten-year gap between when you can take your own pensions and any State Pension you are eligible for.

There's a lot to consider when working out which option or combination will provide you and any beneficiaries with a reliable and tax-efficient income throughout your retirement.

LEAVE YOUR PENSION POT UNTOUCHED

Once you reach age 55 (subject to your scheme rules), you have the option to take as much of your pension fund as cash as you wish. Though don't forget that if you take more than 25% of the fund, there could be a substantial tax bill.

You may be able to delay taking your pension until a later date and may wish to leave your money where it is so that it still has the potential to grow – though your fund could also go down in value, of course. Equally, you might just want some time to consider all your options before deciding whether to take cash from your pension fund – and, if so, how much.

USE YOUR POT TO BUY A GUARANTEED INCOME FOR LIFE – AN ANNUITY

You can choose to take up to a quarter (25%) of your pot as a one-off, tax-free lump sum, then convert the rest into a taxable income for life called an 'annuity'. There are different

lifetime annuity options and features to choose from that affect how much income you would get. You can also choose to provide an income for life for a beneficiary after you die.

USE YOUR POT TO PROVIDE A FLEXIBLE RETIREMENT INCOME – FLEXI-ACCESS DRAWDOWN

With this option, you take up to 25% (a quarter) of the pension pot that is being crystallised as a tax-free lump sum, then re-invest the rest into funds designed to provide you with a taxable income. You set the income you want, though this may be adjusted periodically depending on the performance of your investments (funds can be left alone to accrue if there is no immediate need for income). Unlike with a lifetime annuity, your income isn't guaranteed for life – so you need to manage your investments carefully.

Previously, there were government limits (known as 'Government Actuary's Department' or GAD limits) on how much income you could withdraw each year. This still applies to existing capped drawdown contracts where taxable income was being taken before 5 April 2015, providing the GAD limit is respected. These restrictions have been removed from 6 April 2015 for new flexi-access drawdown contracts.

TAKE SMALL CASH SUMS FROM YOUR POT

If you're not sure how your income needs will change in the future, you may wish to take money from your defined contribution pension pots as and when you need it and leave the rest untouched. For each cash

withdrawal, the first 25% (quarter) is tax-free, and the rest counts as taxable income. There may be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year.

TAKE YOUR WHOLE POT AS CASH

You could close your pension pot and take the whole amount as cash in one go if you wish. Anyone over 55 can take their entire pension fund as cash. The first 25% (quarter) will be tax-free, and the rest will be taxed at your highest tax rate – by adding it to the rest of your income.

If you cash in your entire pot, it's highly likely that you'll have to pay a considerable tax bill. If the provider applies an emergency tax code, too much tax will be deducted, in which case you would have to reclaim this from HMRC. In addition, it will not pay you or any beneficiary a regular income, so without very careful planning you could run out of money and have nothing to live on in retirement.

You don't have to choose one option when deciding how to access your pension – you can combine options and take cash and income at different times to suit your needs. You can also keep saving into a pension if you wish and receive tax relief up to age 75.

Which option or combination is right for you will depend on a number of different factors. ◀

HELPING YOU FIND YOUR WAY FORWARD

Wherever you stand on the road to retirement, we can help you find your way forward. If you are approaching retirement and would like to discuss the ways you can take an income from your pension pot, please contact us to review your particular situation – we look forward to hearing from you.

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LACK OF PREPARATION FOR THE UNEXPECTED

A quarter of us could only afford to pay household bills for a maximum of three months

PROTECTING YOUR FAMILY SHOULD UNDERPIN FINANCIAL PLANNING, AND IT CAN ALSO BE A KEY BUSINESS TOOL OR ESTATE PLANNING MECHANISM. BUT, DESPITE THIS, MORE THAN ONE IN FIVE (21%) PEOPLE ADMIT THEIR HOUSEHOLD WOULD NOT BE FINANCIALLY SECURE FOR ANY LENGTH OF TIME IF IT LOST ITS MAIN INCOME THROUGH UNEXPECTED CIRCUMSTANCES.

COPING WITH MORTGAGE PAYMENTS

The latest protection research from Scottish Widows reveals a quarter (25%) of us could only afford to pay household bills for a maximum of three months if we or our partner were unable to work due to long-term illness, and just over a quarter (26%) could only make a maximum of three monthly mortgage payments. Just less than a fifth (18%) admit they aren't sure how long they would be able to cope with their mortgage payments.

Despite acknowledging the hardships they may face, many people are failing to take action to ensure they have a financial safety net in place. In fact, for many of us, taking out life or critical illness cover falls lower down the priority list than having access to an Internet connection.

PROVIDING FINANCIAL SECURITY FOR DEPENDANTS

Eight in ten (81%) Britons consider an Internet connection as essential, and almost three quarters (72%) see a mobile phone as a necessity. By comparison, only 29% think it's essential to provide financial security for dependants if they become critically ill, and only 40% think it's essential to provide security for dependants if they die.

Despite being acutely aware of their lack of financial provisions, 12% of people would cut back spending on life insurance if they had to make cuts to

their outgoings, while one in seven (13%) would reduce spending on critical illness cover. In comparison, only 9% of people would cut back on Internet access.

FACING A SIGNIFICANT FINANCIAL STRUGGLE

While none of us ever want to think about the worst, the research shows that there are an alarming number of families who could face a significant financial struggle in the event of an unexpected loss of income due to serious illness or death.

No matter what our personal circumstances, it is vital for all of us to ensure we have the appropriate provisions in place to protect our finances, helping avoid the need to dip into our savings which could present even greater challenges further down the line. ◀

ARE YOU AND YOUR FAMILY FULLY PROTECTED?

Creating and maintaining the right approach to protecting you and your family plays a vital role in securing your financial futures. If you have any concerns or would like further information about your protection options, or a quote, please contact us.

Source data:

Scottish Widows Protection Research is based on a survey carried out online by YouGov who interviewed a total of 5,161 adults between 28 January and 4 February 2016.

ADVENT OF CROWDFUNDING

Innovation in both finance and technology



ONE OF THE MAIN INNOVATIONS IN BOTH FINANCE AND TECHNOLOGY OVER THE PAST FEW YEARS HAS BEEN THE ADVENT OF CROWDFUNDING. CROWDFUNDING IS A WAY OF RAISING FINANCE BY ASKING A LARGE NUMBER OF INVESTORS EACH FOR A SMALL AMOUNT OF MONEY.

In the past, financing a business, project or venture typically involved asking a few investors for large sums of money. Crowdfunding switches this idea around.

If it appeals to you, you're debt-free, willing to increase your risk tolerance and put money away for a longer term, then the best way is to start by dipping your toe in the water.

MAIN WAYS OF CROWDFUNDING

There are three different types of crowdfunding: equity, debt and donation.

1. Equity crowdfunding involves a company raising finance by selling a pre-determined amount of equity in a business to investors for a certain sum of money.
2. Debt crowdfunding is when a company raises money by way of loan to investors who do not receive any equity in the business but do receive a pre-agreed rate of return on the money invested.

3. Charitable crowdfunding involves no equity or debt investment; charities raise money for projects from large groups of investors to support their causes.

FUNDING GAP

These investments do not include the same security of capital which is afforded with a bank account. Since the financial crisis, it has become very difficult for smaller businesses in particular to raise the money required to expand and grow. As high street banks have withdrawn from corporate lending, a 'funding gap' has emerged that has in part been filled by the meteoric rise of crowdfunding. Additionally, with interest rates at rock bottom for the past six years, investors have been seeking unique returns and are more prepared than ever before to invest money into new types of investments in the hope of achieving a return higher than that offered by their bank account.

HIGH RISK

However, crowdfunding is still a very high-risk venture and, as with all forms of investment, comes with no guarantee of success or even return of capital. Among the main reasons to exercise caution is the price the investor pays for the equity. When a large business seeks to raise money, the numbers used to calculate the value of the business will have been audited and verified by an independent valuer.

HIGH GROWTH

Another key risk that investors need to consider is one of dilution. Many of the companies raising money on the equity crowdfunding platforms are high-growth businesses expected to go up in value significantly over a very short period of time. To fund this expansion, it is somewhat inevitable that these companies will need to continually raise further funds to maintain their level of growth.

CAPITAL LOSS

Crowdfunding is undoubtedly a welcome addition to the options available for companies looking to raise money, and the effect that this has on the level of enterprise in the UK is a very positive development.

For investors, however, it is clear that great levels of caution should be taken when making any form of crowdfunding investment, and a reliance on the tax benefits will not be enough to offset the real risk of capital loss. ◀

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MANAGING YOUR RETIREMENT SAVINGS

Consolidating your separate pensions into one single pension wrapper

IF YOU'VE ACCUMULATED NUMEROUS WORKPLACE PENSIONS OVER THE YEARS FROM DIFFERENT EMPLOYERS, IT CAN BE DIFFICULT TO KEEP TRACK OF HOW THEY ARE PERFORMING. THE PROCESS OF BRINGING ALL YOUR PENSIONS TOGETHER IS CALLED 'CONSOLIDATION'.

It is often referred to as a transfer. If you have more than one pension pot, you might want to consider consolidating all of your pots into one for simplicity. You may also benefit from lower charges by doing this.

If appropriate to your particular situation, it may be good not to have 'all your eggs in the one basket'. There are times when diversification is an important consideration.

It is important to remember that you might not benefit from transferring your pensions all into one place.

WHY WOULD I WANT TO CONSIDER CONSOLIDATING MY PENSIONS?

- You'll only have to deal with one provider which could make life simpler
- If you decide to buy an annuity when you want to take benefits, you'll only receive one payment each month (if you choose to have your income paid monthly). This can feel more familiar as it will probably mirror how your salary was paid
- If you're likely to buy an annuity, you could receive a better annuity rate as your account will be bigger, and some companies offer better rates depending on the size of your pension account

This is not an exhaustive list of the issues you should bear in mind. If you are interested in consolidating your pension accounts, you should obtain professional financial advice.

WHAT ISSUES SHOULD I CONSIDER BEFORE DECIDING TO CONSOLIDATE?

- Make sure there are no penalties if you transfer your account from one provider to another
- Some companies offer 'Guaranteed Annuity Rates', and these can provide a much higher income than today's annuity rates might offer. Any 'Guaranteed Annuity Rate' could be lost if you consolidate your pensions – you should check with your pension provider
- If you're in a final salary or defined benefit scheme, you don't need to buy an annuity because final salary pensions aim to provide a known and guaranteed level of cover. If you are in one of these schemes, stop to think about what you may be moving away from. From April 2015, transfers can now only be made from funded final salary schemes so it is not possible to transfer out from an unfunded public sector scheme

IT COULD STILL MAKE SENSE TO CONSOLIDATE

As you approach your retirement, your pension pots may have appreciated significantly, and you may decide that any

exit penalties or fees for advice represent significant disincentives to act. However, if you're unhappy with your existing arrangements and your funds are letting you down, it could still make sense to consolidate.

You may still have ten or fifteen years to go, and consolidation now gives you the added benefit of having all your money in one place for the purpose of buying an annuity or putting your money into income drawdown.

There are advantages to consolidating your pensions, but there are also pitfalls. The most suitable course of action may depend on what kinds of pension you have and how long you have until retirement. ◀

CONSIDERING CONSOLIDATING YOUR PENSIONS?

If you're considering consolidating your pensions, it's important to weigh up the benefits and drawbacks. Pensions and tax rules are complex, and normally it is not possible to recover your original pension arrangements if you change your mind. To discuss your situation and ensure that you don't lose any valuable benefits, please contact us.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. 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.



WHY NOW IS THE TIME TO REVIEW YOUR PENSION

Taking an active interest in your retirement savings

MILLIONS OF SAVERS CURRENTLY SPEND VERY LITTLE TIME REVIEWING THEIR PENSIONS, WITH MORE THAN A QUARTER OF SAVERS (28%) ADMITTING TO NEVER REVIEWING THEIR RETIREMENT SAVINGS, WHILE ALMOST A FIFTH (19%) OF THOSE WITH A PENSION SAID THEY REVIEW IT LESS THAN ONCE EVERY FIVE YEARS^[1] ACCORDING TO FIGURES RELEASED BY AVIVA.

Gender also has a role to play. The number of women who are not engaged with their pension is particularly high, with almost a third (32%) saying they never review their savings, compared to a quarter (25%) of men.

MOST PEOPLE HAVE NO IDEA WHAT THEIR PENSION IS WORTH

Worryingly, Aviva's figures show that only just over a quarter of people (27%) think that their current contributions into their company pension scheme will provide enough for them in retirement^[2]. Ask most people what they earn now and they'll have a pretty good idea, sometimes down to the penny, but most people have no idea what their pension is worth.

The figures show that urgent action is needed to encourage people to take an active interest in their retirement savings. While the number of people reviewing their pension is worryingly low, the research shows that the main thing that does cause them to act is the arrival of their annual pension statement.

REGULARLY CHECK HOW YOUR PENSION IS PERFORMING

Investment funds rarely continue to perform well year after year, so it's important to regularly check how your pension is performing. In addition, over time the amount of risk many of us are prepared to accept in our investments typically tends to reduce, to the extent that by the time we're close to retirement we may not wish to take much risk at all.

The closer you get to approaching retirement, the more important it is to know how your pension fund is performing. If you wait until your retirement, the chances are you will have no idea what income you will receive, and then it's too late to make any changes. The longer you have to prepare for retirement, the much greater chance you have of doing something about it and achieving a comfortable retirement.

CONTRIBUTIONS SHOULD KEEP PACE WITH OUR INCOME

As part of a year-long study into people's financial habits, consumers were asked which events had caused them to review their pension. The most popular answer was receiving an annual statement from their provider (35%), followed by a pay increase (28%) and starting a new job (17%)^[3]. ◀

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WANT TO MAKE MORE OF YOUR RETIREMENT?

Retiring is a huge moment in anyone's life. If you are thinking about your retirement (and what you want to achieve from it), please contact us to discuss your situation and the options available to you.

Source data:

[1] Friends Life (now part of the Aviva group) survey of 9,498 people in the UK with a pension, carried out by YouGov (Jan-Dec 2015)

[2] Friends Life (now part of the Aviva group) survey of 3,618 people in the UK who contribute to a company pension, carried out by YouGov (Jan-Dec 2015)

[3] Friends Life (now part of the Aviva group) survey of 2,347 people in the UK who have reviewed their pension, carried out by YouGov (Jan-Dec 2015)

