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ECFS
Independent Financial Advisers

MARCH / APRIL 2019

LIFE AFTER WORK

PLANNING FOR THE RETIREMENT YOU DESERVE

YOUR ISA, YOUR FUTURE
Time to reimagine how to invest more tax-efficiently?

TAX ACTION
Getting your tax affairs in order before 5 April

SMART PLANS
Living a less complicated life!

BREXIT - WHAT NEXT?
Unintended consequences

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EXPERIENCE
LIFE TO THE FULL

Welcome to our latest issue. Robert Kiyosaki, the American businessman and author of the best-selling book *Rich Dad, Poor Dad*, once remarked, 'Making money is common sense. It's not rocket science. But unfortunately, when it comes to money, common sense is uncommon.' As we continue into 2019 with the uncertainties surrounding Brexit, we look to de-mystify the ever-changing landscape of the financial world.

What better place to start off than tax-efficient investing? Each tax year, we are each given an annual Individual Savings Account (ISA) allowance. The ISA limit for 2018/19 is £20,000, and anyone wishing to utilise their allowance should do so before the deadline at midnight on Friday 5 April 2019. The date marks the end of the 2018/19 tax year. It is a 'use it or lose it' allowance, meaning that if you don't use all or part of it in one tax year, you cannot take that allowance over to the next year. To find out more about your ISA options, turn to page 06.

Over time, with life expectancy and the cost of living rising, it could mean that some retirees are at risk of running out of pension income in later life. On page 04, we consider what you can do to make sure that you have a big enough pension to meet your needs for your entire retirement.

This time of year is your last chance to get your tax affairs in order before the end of the 2018/19 tax year. On page 12, we've provided a summary of some key tax and financial planning areas which may be appropriate to certain taxpayers and should be considered prior to the end of the tax year.

Some people may believe that since they have reached their 60s and 'retired', the hard work is over. But there are probably another three or four decades ahead, so it's not the time to be without expert professional financial advice. Take a look at the opposite page to read the full article.

At the time of writing, the UK Government is still in negotiations with the European Union over the terms of its planned withdrawal on 29 March 2019. The challenges facing the UK economy are unclear. On page 10, we look at some potential financial scenarios.

We hope you enjoy this issue. A full list of the articles featured in this issue appears opposite.

READY TO MAKE YOUR NEXT BIG DECISION?

Whatever your next step is in life, we'll help you make your next big decision easier by getting the most out of your finances. To discuss your situation, please contact us – we look forward to hearing from you.

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THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

SMART PLANS

LIVING A LESS COMPLICATED LIFE!

For anyone enjoying their retirement years and living a less complicated life, it can be easy to assume that you no longer require professional financial advice. Some people may believe that since they have reached their 60s and 'retired', the hard work is over.

But there are probably another three or four decades ahead, and if we were to split life into two halves, this second half is likely to be more complex and challenging than our careers. From age 60-plus, the world will throw a host of challenges our way.

This is not the time to be without expert professional financial advice. This is the period of life when financial planning is most valuable and rewarding.

LOOKING AHEAD

Between the ages of 20 to 60 is typically the period of working life for most people. You work and strive, building a career, buying a property, raising a family, perhaps paying for education and enjoying a certain standard of living.

This entails managing debt, balancing income and expenditure, putting money away into a pension, saving for a rainy day and topping up ISAs annually.

All of a sudden, the striving is over. Enough money, or so you hope, has been invested to leave the workplace behind, and your mortgage is repaid. The pension pot is bulging, your children have graduated and the new car on the driveway is finance-free for the first time. Your sights are set on a holiday home, and everything looks good.

You may well have had professional financial help during this 40-year growth phase, but most of those years may be behind you. You need to look ahead.

OVERRIDING EMOTIONS

But it's the second half of life, from the 60-plus stage, that is more aligned to spending. Having achieved so much in life, the overriding emotion can now be the fear of loss. The conundrum being: 'How can we live our ideal life, safe in the knowledge that we will always have enough?'

Safety and fear of loss are key concerns. Have we got enough income to meet our obligations? Will we run out of money? Can we afford to support our favourite charity? What happens if one of us needs long-term care? Should we help our children now, or later? Is our capital keeping up with inflation? Can we keep on having fun?

As people age, illness can strike out of the blue and blow plans off course overnight. What then? A new and unexpected challenge, and no life experiences to fall back on. There are choices and tough emotional decisions to be made – this is when professional financial advice and support are essential. ◀

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MAINTAINING YOUR LIFESTYLE ONCE YOU'VE STOPPED WORK

One of the most common worries for many people as they enter retirement is to ensure they're able to maintain their lifestyle once they've stopped work. Continuing to have access to and receive professional financial advice is key. If you've retired and want to reassess your options, please contact us.

04 RETIREMENT

LIFE AFTER WORK

PLANNING FOR THE RETIREMENT YOU DESERVE

Over time, with life expectancy and the cost of living rising, it could mean that some retirees are at risk of running out of pension income in later life. So what can you do to make sure that you have a big enough pension to meet your needs for the whole of your retirement?

To begin with, we all know when planning for retirement, the earlier we start saving and investing, the better off we'll be, thanks to the power of our money compounding over time. And even if we start saving later in life or we've yet to begin, it's important to know that we're not alone and that there are steps that can be taken to increase our eventual retirement savings.

IT'S NO SECRET – RETIREMENT CHANGES YOUR LIFE

After years of hard work, retirement is an exciting period in life. You might be looking forward to taking a trip to sunnier climes, dedicating more time to a favourite hobby or spending more time with family and friends. However, to ensure that you are able to continue to pay the bills and live comfortably when you are no longer drawing an income, you need to start putting money aside as soon as possible. The thought of it may be daunting, and it can feel like an impossible mission.

The process of building a retirement pot typically involves a combination of consistent saving and long-term investments, but saving and investing for your retirement can look pretty different during your twenties versus your forties or fifties.

ON YOUR WAY TO A COMFORTABLE LIFE AFTER WORK

With discipline and determination, you can be on your way to a comfortable life after years of hard work. Building a retirement pot requires more certainty in your financial planning and less risk-taking (depending on factors such as age and your attitude to risk). But first, you need to figure out how much you need in order to set a goal.

Retirement is personal and full of surprises, so it's important to decide what you want yours to look like first, and then plan how to make it a financial reality. We've provided some tips to help boost your savings – no matter what your current stage of life – to enable you to pursue the retirement you deserve.

THE PROCESS OF BUILDING A RETIREMENT POT TYPICALLY INVOLVES A COMBINATION OF CONSISTENT SAVING AND LONG-TERM INVESTMENTS, BUT SAVING AND INVESTING FOR YOUR RETIREMENT CAN LOOK PRETTY DIFFERENT DURING YOUR TWENTIES VERSUS YOUR FORTIES AND FIFTIES.

1. RETIREMENT GOALS

Setting up a retirement goal requires you to find out how much income you need when you have stopped working. To get an indication of this, use the following questions to help you:

- At what age do I plan to retire?
- How many years do I have to plan for whilst I'm in retirement?
- What is my desired monthly income during retirement?

2. RISK APPETITE

Are you a 'conservative' investor who cannot afford to lose the initial capital you put up? Can you sacrifice the certainty of having your principal protected in order to gain higher potential earnings?

If you do not already have a large sum of retirement savings, you shouldn't take too much risk when you invest, since you may not have the luxury of time to recoup any investment losses as you approach your target retirement age.

3. TIME HORIZON

If appropriate, generally a bigger portion of your retirement pot can be apportioned for higher-risk investments if you start early in your career. As you progress closer towards the retirement years, it's usually prudent for your pension pot to focus increasingly on lower-risk investments or savings with the objective of providing more stable returns.

It's important to consider allocating your investments into products suitable for different investment horizons (short, medium and longer term) depending on your risk appetite. You should always be reminded that with higher expected returns come higher risks.

4. INFLATION

If you choose to save your way to retirement by putting cash into a savings account, the value of your money could potentially be eroded due to inflation. Therefore, in order to ensure that the money you have now preserves its purchasing power during your retirement years, you need to choose savings or investments that have the potential to provide you with higher returns.

5. DIVERSIFICATION

While putting all your retirement savings into a bank account can be potentially risky, so too can investing all of your savings in shares. The key to growing your retirement fund will typically include having different asset classes in your portfolio, which is otherwise known as 'diversification'. Diversification not only helps you manage the risk of your investments, but it also involves re-balancing your portfolio to maintain the risk levels over time.

6. AFFORDABILITY

Building a retirement pot is a long process. By starting late, you may find that you need to set aside a larger amount for your retirement.

Therefore, you'd want your retirement sum to be an affordable amount for your current lifestyle. We can work with you to help you take a look at your current commitments to make saving for your retirement a sustainable habit. ◀

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HOW MUCH MONEY DO YOU NEED TO RETIRE?

It's never too early to start planning for your retirement! With discipline and determination, you can be on your way to a comfortable life after years of hard work. To find out more or to discuss your situation, please contact us.

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YOUR ISA, YOUR FUTURE

TIME TO REIMAGINE HOW TO INVEST MORE TAX-EFFICIENTLY?

Each tax year, from the age of 16 we are each given an annual Individual Savings Account (ISA) allowance. The ISA limit for 2018/19 is £20,000, and anyone wishing to utilise their allowance should do so before the deadline at midnight on Friday 5 April 2019.

The date marks the end of the 2018/19 tax year. It is a 'use it or lose it' allowance, meaning that if you don't use all or part of it in one tax year, you cannot take that allowance over to the next year. Utilising your ISA allowance to invest tax-efficiently could lead to significant savings in Income Tax and Capital Gains Tax and even improve your potential returns.

We've answered some typical questions we get asked about how to best use the ISA allowance to help make the most of the opportunities as this tax year draws to a close.

Q: WHAT IS AN ISA?

A: An ISA is a 'tax-efficient wrapper' designed to go around an investment. Types of ISA include a Cash ISA and Stocks & Shares ISA. A Cash ISA is like a normal deposit account, except that you pay no tax on the interest you earn. Stocks & Shares ISAs allow you to invest in equities, bonds or commercial property without paying personal tax on your proceeds. There are also Innovative Finance ISAs, Lifetime ISAs and Help to Buy ISAs (the latter being a type of Cash ISA).

Q: CAN I HAVE MORE THAN ONE ISA?

A: You have a total tax-efficient allowance of £20,000 for this tax year. This means that the sum of money you invest across all your ISAs this tax year cannot exceed £20,000 (Lifetime ISAs and Help to Buy ISAs have their own lower limits but still use some of the overall £20,000). However, it's important to bear in mind that you have the flexibility to split your tax-free allowance across as many ISAs and ISA types as you wish, but you cannot have more than one of each type. For example, you may invest £10,000 in a Stocks & Shares ISA and the remaining £10,000 in a Cash ISA, but you cannot invest £10,000 in each of two Cash ISAs. This is a useful option for those who want to use their investment for different purposes and over varying periods of time.

Q: WHEN WILL I BE ABLE TO ACCESS THE MONEY I SAVE IN AN ISA?

A: Some ISAs do tie your money up for a significant period of time. However, others are pretty flexible. If you're after flexibility, variable rate Cash ISAs don't tend to have a minimum commitment. This means you can keep your money in one of these ISAs for as long – or as short a time – as you like. If the ISA is classed as a Flexible ISA, funds can be withdrawn and replaced in the same tax year without the replacement using up any more of the ISA subscription limit.

On the other hand, fixed-rate Cash ISAs will typically require you to tie your money up for a set amount of time. If you decide to cut the term short, you usually have to pay a penalty. But ISAs that tie your money up for longer do tend to have higher interest rates.

Stocks & Shares ISAs don't usually have a minimum commitment, which means you can take your money out at any point. That said, your money has to be converted back into cash before it can be withdrawn.

Q: WHAT IS A HELP TO BUY ISA?

A: A Help to Buy ISA is an ISA designed to help first-time buyers aged 16-plus to save up a deposit for their home. It is possible to contribute up to £200 per calendar month plus an additional £1,000 lump sum at the start, up to an overall maximum of £12,000. The Government will add 25% to the savings, up to a maximum of £3,000 on savings of £12,000. If you pay into a Help to Buy ISA in the current tax year, you cannot also pay into another Cash ISA.

Q: COULD I TAKE ADVANTAGE OF A LIFETIME ISA?

A: You must be 18 or over but under 40 to open a Lifetime ISA. You can use a Lifetime ISA to buy your first home or save for later life. You can put in up to £4,000 each year until you're 50. The Government will add a 25% bonus to your savings, up to a maximum of £1,000 per year. Any money invested in a Lifetime ISA reduces your annual ISA limit accordingly.

Q: IS TAX PAYABLE ON ISA DIVIDEND INCOME?

A: You don't pay tax on any dividends paid inside your ISA. Outside of an ISA, you currently receive a £2,000 dividend income allowance within which dividends are also tax-free.

Q: IS CAPITAL GAINS TAX (CGT) PAYABLE ON MY ISA INVESTMENT GAINS?

A: You don't have to pay any CGT on profits. You make a profit when you sell an investment for more than you purchased it for. If you invest outside an ISA, excluding residential property, any profits made above the annual CGT allowance for individuals (£11,700 in the 2018/19 tax year) would be subject to CGT. For basic rate taxpayers, CGT is 10% or more if the gains don't exceed the basic rate band when added to income (or 20% on any gains that do exceed the basic rate band). For higher and additional rate taxpayers, CGT is 20%.

Q: I ALREADY HAVE ISAS WITH SEVERAL DIFFERENT PROVIDERS. CAN I CONSOLIDATE THEM?

A: Yes, you can – and you won't lose the tax-efficient 'wrapper' status if you transfer them rather than encashing them. Many previously attractive

“PUT YOUR 2018/19 ISA ALLOWANCE OF £20,000 INTO AN ISA BY 5 APRIL AND DON’T PAY TAX ON THE MONEY YOUR ISA MAKES”

savings accounts cease to have a good rate of interest, and naturally some Stocks & Shares ISAs don’t perform as well as investors would have hoped. Consolidating your ISAs may also substantially reduce your paperwork. We’ll be happy to talk you through the advantages and disadvantages of doing it.

Q: CAN I TRANSFER MY EXISTING ISA?

A: Yes, you can transfer an existing ISA from one provider to another at any time. If you want to transfer money you’ve invested in an ISA during the current tax year, you must transfer all of it. For money you invested in previous years, you can choose to transfer all or part of your savings.

Q: DO I STILL NEED A PERSONAL PENSION PLAN IF I HAVE AN ISA?

A: ISAs and personal pension plans are entirely separate, and both can – and most likely will – form part of your financial planning requirements. They both have tax-efficient benefits. An investment-based ISA such as a Stocks & Shares ISA could potentially grow your savings as much as a pension plan in the long term. However, personal pensions have benefits which ISAs don’t have.

For example, the yearly tax-efficient pension allowance is higher than the yearly ISA allowance for most people. Also, besides tax-efficient income and capital gains within the fund, you also receive tax back on all your pension contributions. This is paid at up to the highest rate of tax you pay, up to a maximum of 45%. If you’re in a workplace pension scheme, your employer will also usually contribute to your pension plan. From 6 April 2019, the minimum employer contribution is at least 3% of your qualifying earnings (earnings between £6,136 and £50,000 as of the 2019/20 tax year).

Pensions are not normally accessible until age 55. This means there’s no temptation to dip in early. An ISA can be a good way to supplement your personal pension planning. The yearly pension allowance is in addition to your annual ISA allowance. By using both allowances as much as possible, you’ll maximise your tax savings.

Q: WHAT HAPPENS TO MY ISA IF DIE PREMATURELY?

A: The funds within your ISA will pass in line with your Will or the intestacy rules if you don’t have a Will. The funds remain tax-free whilst your estate is administered. The rules on ISA death benefits allow for an extra one-off ISA allowance equal to the value of your ISAs to be given to your spouse or registered civil partner. If your spouse is inheriting your ISA funds, this enables them to keep those funds within a tax-free ISA wrapper if they wish (even if your ISA funds are not passing to your spouse, they still receive this additional one-off ISA allowance which they can make use of, using other funds if they wish). ◀

LOOKING FOR WAYS TO MAKE YOUR MONEY WORK HARDER?

The ISA season is a great time of year to do a spring clean of your finances and explore new ways to give your savings a boost. Whether you’re new to investing or an experienced investor, we can help you consider the options available. To discuss your requirements, please contact us.

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RETIREMENT OPTIONS

GREATER RESPONSIBILITY ON INDIVIDUALS TO PLAN FOR FINANCIAL SECURITY IN OLD AGE

Deciding what to do with your pension pot is one of the most important decisions you will ever make for your future. The 'pension freedom' changes of April 2015 represented a complete shake-up of the UK's pensions system, giving people much more control over their pension savings than before.

New research[1] has revealed that the number of savers who have embraced their freedoms now exceeds one million (1.04 million). The report from HM Revenue & Customs shows that a record-breaking sum of £7.83 billion was withdrawn in 2018[2], up from £6.54 billion in 2017. It is reported that there have been 5.49 million individual withdrawals since the pension freedoms were introduced in 2015.

UNCONTROLLED 'DASH-FOR-CASH'

There is, however, currently no evidence of an uncontrolled 'dash-for-cash' that was feared by some when the freedoms were introduced. The 2018 figure of £7.83 billion needs to be seen in the context of a total private pension wealth in the UK of approximately £5,000 billion[3].

Withdrawal payments have also consistently averaged less than £4,000 since summer 2017, showing little evidence of savers rushing to buy extravagant luxury items. These freedoms are attractive to younger savers too, with recent figures released[4] finding that one third (33%) of under-35s believe this flexible access encourages them to put more money towards their pension.

FIVE TIPS TO HELP MAKE THE MOST OF THE PENSION FREEDOMS

1. UNDERSTAND YOUR STATE PENSION

The State Pension continues to be most people's biggest source of income in retirement. But the State Pension, and the age at which you are entitled to this money, is changing – www.gov.uk/check-state-pension.

2. TAKE YOUR TIME

You may have spent 40 years saving for your retirement. Take more than 40 minutes considering your options.

3. OBTAIN PROFESSIONAL FINANCIAL ADVICE ABOUT WHAT YOU CAN DO WITH YOUR PENSION POT

There are a number of different ways you can take your defined contribution pension pot. You can usually take 25% of your pot tax-free from age 55.

YOUR OPTIONS ARE:

Leave your whole pot untouched

You don't have to start taking money from your pension pot when you reach your 'selected retirement age'. If you want to build up your pension pot further, you can continue to receive tax relief on your own pension savings of up to £40,000 each year (tax year 2018/19) less employer contributions being made, or currently 100% of your earnings if you earn less than £40,000, until age 75 (beyond 75 for employer/company contributions).

Guaranteed income (annuity)

You can use your pot to buy an insurance policy that guarantees you an income for the rest of your life – no matter how long you live. You don't have to accept the annuity that your pension provider or pension scheme offers you. The 'open market option' allows someone approaching retirement to shop around for a number of options to convert their pension pot into an annuity, rather than simply taking the default rate offered by their pension provider.

Adjustable income

This option is also known as 'flexi-access drawdown'. You move your pension pot into one or more funds that allow you to take a taxable income at times to suit you. You choose funds that match your income objectives and attitude to risk and set the income you want. The income you receive might be adjusted periodically, depending on the performance of your investments. The full 25% tax free lump sum can be taken at outset or you can move funds gradually into flexi-access drawdown and take your tax free cash in stages.

Take cash in lump sums

Another option is to take smaller sums of money from your pot until you run out. How much you take and when you take it is up to you. You decide how much to take and when to take it. You don't have to take your 25% tax-free amount in one lump sum – you can decide to receive it over time. Each time you take a lump sum of money, 25% can be tax-free, and the rest is taxable.

Take your entire pot in one go

You can cash in your entire pot – 25% is tax-free, and the rest is then taxed at your highest tax rate/s (by adding it to the rest of your income). However, cashing in your pension pot will not give you a secure retirement income. If you're thinking of doing this, you should first obtain professional financial advice to discuss your options.

Mix your options

You can mix different options. Usually, you would need a larger pension pot to do this.

4. CONSIDER YOUR LIFE EXPECTANCY

Pension savings are intended to last the rest of your life, yet we typically underestimate how many years we may live. Figures from the Office for National Statistics[5] show that for 2015 to 2017, a woman's life expectancy in England from birth remains 82.9 years, and for a man it is 79.2. For men and women in Scotland and Wales, the latest figures show a slight decline by more than a month. Men in Northern Ireland have seen a similar fall.

5. APPROACH FINAL SALARY PENSION TRANSFERS WITH CAUTION

If you have a final salary pension, you will need to transfer it elsewhere to access the freedoms. This is a significant decision, as you could lose important benefits. Such a decision should be approached with caution and with the guidance of professional financial advice.

The onus is now firmly on us as individuals to plan our financial security in retirement. We're now expected to take greater responsibility for funding the time in our lives when we're dependent on a lifestyle that we've spent the last 40 years saving for. ◀

THE 'PENSION FREEDOM' CHANGES OF APRIL 2015 REPRESENTED A COMPLETE SHAKE-UP OF THE UK'S PENSIONS SYSTEM, GIVING PEOPLE MUCH MORE CONTROL OVER THEIR PENSION SAVINGS THAN BEFORE.

IT CAN HELP TO BE FLEXIBLE

There's a lot to think about when you're planning for retirement. And don't forget that your situation may change in the future, so it can help to be flexible. If you would like to discuss your particular situation or arrange a meeting, please contact us.

Source data

[1] https://www.gov.uk/government/statistics/flexible-payments-from-pensions
[2] Note: this figure underplays the total amount withdrawn as it does not include any additional amounts taken as tax-free-cash.
[3] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/wealthingreatbritainwave5/2014to2016#private-pensions-wealth
[4] Aviva 2018 survey of 1,000 UK adults: 'Would you put more money towards your pension if you were able to access the money more flexibly?'
[5] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/nationallifetablesunitedkingdom/2015to2017

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

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BREXIT – WHAT NEXT?

UNINTENDED CONSEQUENCES

At the time of writing this article, the UK Government is still in negotiations with the European Union over the terms of its planned withdrawal on 29 March 2019.

As we've been constantly hearing over the past few years in the media, Brexit uncertainty is affecting business and consumer confidence, whilst also contributing to a difficult political backdrop. But right now, the form of what this might look like is unclear, as are the related economic and regulatory implications for investments.

WORST-CASE SCENARIO

A report by the Bank of England has suggested that a worst-case scenario is indeed a no-deal Brexit, which could lead to a shrinking economy, house prices falling by over a third, unemployment doubling and inflation rising substantially. But that is the worst-case scenario, and there is some comfort in knowing that the actual outcome is likely to be better.

But there could be a scenario where there is no direct impact. For example, for a UK-domiciled individual investing with a UK-registered company from a UK-based bank account, it's unlikely that Brexit would have a direct impact on their investments.

FOREIGN CURRENCY EXPOSURE

Political uncertainty and various other factors such as exchange and interest rates can all impact how investments perform. However, for some investors, the Brexit vote has up until now been good for their portfolio's performance, as some have benefited from foreign currency exposure.

During any period of change, it's important to be able to access professional financial advice and feel comfortable that your investments are robust enough to deal with any potential volatility and that they include a diverse mix of assets, which is key.

ECONOMIC CYCLE PERFORMANCE

Among so much uncertainty and gloom surrounding the UK's imminent departure from the EU, conventional pricing of company shares has been turned on its head. This is not to say that all UK stocks have fared badly. On the contrary, many large companies that derive most of their earnings from overseas have outperformed, as have those seen as 'defensive' stocks that are widely expected to hold up well throughout the economic cycle.

It is often said that quality is not about any single metric, but a blend of characteristics that allows companies to deliver growing value for their shareholders over time. A quality company should, amongst other things, be able to deliver sustainable growth with a healthy balance sheet and strong corporate governance.

FERTILE HUNTING GROUNDS

Brexit, for all its unintended consequences, has opened up rare possibilities to buy stakes in quality companies at attractive valuations. By comparing share prices to company earnings, UK stocks overall look less expensive than their counterparts elsewhere in the world – especially in the US. The abandonment of logic in the face of short-term concerns over the UK economy has created particularly fertile hunting grounds for some long-term investors.

It also remains too early fully to understand how Brexit may affect the cost of imported goods years from now, as so much depends on trade agreements reached between the UK and the EU (and other countries). If the pound's weakness persists, the cost of other imported goods may also rise.

EMBRACING OPPORTUNITIES

But despite periodic and unavoidable corrections, stock markets tend to recover over time. The worst thing to do is to sell out of the market. Long-term investors need to take a pragmatic view about volatility and the subsequent opportunities. Of course, it is tempting to think that cash is the best place for long-term savings, but if investors embrace opportunities and avoid panicking, then market corrections can become a friend.

It's important to remember, especially as Brexit approaches, that no matter how big a market correction, gains made during the recovery period that follows generally outweigh any losses. No one can predict exactly what will happen in 2019 and beyond, but we can safely look to history and take some comfort from the knowledge that markets are resilient. Short-term bear markets may be painful, but bull markets are very rewarding for those who hold their nerve. ◀

IT'S GOOD TO TALK

The Brexit negotiations to date have been detailed and complex, and at the time of writing there is still uncertainty as to the final outcome and its direct impact on our personal finances. If you would like to discuss any aspect of your financial plans in the light of Brexit, please contact us.

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NO PAIN, NO GAIN

PLANNING TO GET WHERE YOU WANT TO BE

Successful saving and investing is arguably a lot like exercise – no pain, no gain. As is the case when undertaking a new fitness regime, if you properly commit yourself and stick to it, the eventual outcomes can be very rewarding.

Many people have savings and investment goals in their life, from the old adage of saving for a rainy day to planning for a comfortable retirement. Working out exactly what you want to get out of your investments will help you set realistic targets and keep you on track.

It will also give you an incentive to keep going when you need to and enable you to arrange your personal finances to get you where you want to be.

TYPES OF GOALS

The three most common types of investment goal are retirement planning or a property purchase over the very long term (15 years or more); life events, such as school and university fees over the medium term (10-15 years); and rainy day or lifestyle funds to finance goals such as that dream car or dream cruise over the medium to shorter term (5-10 years).

The minimum time horizon for all types of investing should be at least five years. But whatever your personal investment goals may be, it is important to consider the time horizon at the outset, as this will determine the type of investments you consider to help achieve your goals.

It also makes sense to revisit your goals at regular intervals to account for any changes to your personal circumstances, for example, the arrival of a new member of the family.

INVESTMENT STRATEGIES

Investment strategies should often include a combination of various fund types in order to obtain a balanced and diversified approach. Maintaining this approach is usually key to the chances of achieving your investment goals, while bearing in mind that at some point you will want access to your money. This makes it important to allow for flexibility in your planning.

LONG TERM: RETIREMENT PLANNING

The importance of shifting goals can be seen in retirement planning, where it is quite common for funds to be more geared towards equities in their early stages to try to build capital. As an individual grows closer to retirement age, their pension plan will tend to lean more towards bonds to reduce volatility. Exposure to riskier sectors such as commodities or real estate may also be gradually reduced as the individual ages.

A typical pension plan may start out as 60% equities, 30% bonds and 10% 'other', including real estate or commodities, when the employee starts work. Towards the end of its life, the plan may be 70% bonds, about 20% in equities and up to 10% in cash. This ensures that the person retiring does not become susceptible to a sudden slump in stock markets just as they are about to cash in some of the fund.

MEDIUM TERM: SCHOOL AND UNIVERSITY FEES PLANS

School and university fees planning may involve the same idea of buying a mix of equities, bonds and other investments in order to build enough capital to pay for education. Most plans of this type are geared to begin paying out after a fixed-term horizon, usually ten years, with withdrawals allowed incrementally after that to meet the fees. In this way, they need to be more flexible than pension plans that only pay out on retirement.

For this reason, parents often start plans when their baby is born so that they can start paying out when the child starts secondary school at age eleven, or even years before then, especially if they want their children to go to fee-paying primary or preparatory schools.

SHORT TO MEDIUM TERM: LIFESTYLE PLANS

Investment companies can offer ten-year plans or even shorter savings schemes that help pay out for a future holiday or dream car. A large number of products now exist for this, including Individual Savings Accounts that contain stocks and shares, depending on your timescale and willingness to accept risk. ◀

READY FOR THE NEXT STEP?

Whether you are looking to invest for income or growth, we can provide the professional financial advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals. To identify which options are right for your individual circumstances or to find out more, please contact us – we look forward to hearing from you.

TAX ACTION

GETTING YOUR TAX AFFAIRS IN ORDER BEFORE 5 APRIL

This time of year is your last chance to get your tax affairs in order before the end of the 2018/19 tax year. We've provided a summary of some key tax and financial planning areas which may be appropriate to certain taxpayers and should be considered prior to the end of the tax year on Friday 5 April 2019.

Tax planning might not sound very exciting, but it can have a dramatic effect on your personal finances. The UK tax system offers many different tax reliefs and allowances for individuals. Reviewing your tax affairs to ensure that available reliefs and exemptions have been utilised, together with future planning, can help to reduce a potential tax bill.

IDENTIFYING ANY TAX PLANNING OPPORTUNITIES

Personal circumstances differ, so if you have any questions or if there is a particular area you are interested in, please do not hesitate to contact us. It is important to ensure that, if you have not done so already, you take the time to carry out a review of your tax and financial affairs to identify any tax planning opportunities and take action before it's too late.

TIPS TO HELP YOU GET AHEAD ON MANAGING YOUR TAX AFFAIRS

Income Tax – if your income is nearing the different tax thresholds, you could reduce your tax liabilities by reducing your taxable income. There are a variety of ways this can be achieved, from changing income into non-taxable forms, making pension contributions, making tax-incentivised investments and making donations to charity.

Transfer income-producing assets – consider transferring income-producing assets to your spouse or registered civil partner in order to use the Income Tax personal allowance and possibly lower Income Tax bands of the transferee. In order to be effective for tax purposes, the transfer must be a genuine and unconditional gift to your spouse.

Individual Savings Accounts (ISAs) – fully utilise your tax-efficient ISA allowance. The allowance for 2018/19 is £20,000 per person, whilst the Junior ISA (JISA) allowance is now £4,260 for children under 18, as is the Child Trust Fund (CTF) allowance for those with a CTF instead of a JISA – for any child with a CTF, the CTF must be closed and transferred to a JISA before contributions can me made to a JISA.

Capital gains – use the capital gains annual exemption of £11,700 (2018/19) to realise gains tax-free. The allowance cannot be transferred between spouses or carried forward, although assets can be transferred between spouses in order to utilise more than one annual exemption (as long as the transfer is a genuine unconditional gift).

Pension contributions – maximise contributions amount and tax relief. Take full advantage of increasing pension contributions by utilising the annual allowance, which is £40,000 (tapered if you have income, including employer pension contributions, over £150,000) less any contributions made by your employer or the value of your whole earnings – whichever is lower. Unused annual allowances may also be carried forward from the previous three tax years, if eligible.

Pension contributions for spouses and children – consider contributing up to £2,880 towards a pension for your non-earning spouse or children. The Government will add £720 on top – for free. You could contribute more if your spouse (or child) earns more than £3,600 per annum (up to 100% of their earnings, less any contributions they make personally).

Remuneration strategy – if you run your own company, it's a good idea to determine your pay and benefits strategy sooner rather than later. For 2018/19, the dividend nil-rate band is reduced from £5,000 to only £2,000 – it's really important to consider the tax implications of your chosen approach to salary, benefits, pensions and dividends.

Gifting – you can act at any time to help reduce a potential Inheritance Tax (IHT) bill when you're no longer around. Make use of the IHT annual exemption that allows you to give away £3,000 worth of gifts and for them to be immediately outside of your estate. If unused, the exemption can be carried forward one year if the current year's allowance is also fully used.

Overpayment and capital loss claims – submit claims for overpaid tax and capital loss claims for the 2014/15 year before 5 April 2019, after which such claims will be time-barred.

Landlords – for 2018/19, the restriction on deductibility of mortgage interest and other finance costs doubles from 25% to 50%. For 2019/20, the restriction will apply to 75%, and then from April 2020, 100% of finance costs incurred by individual landlords. ◀

LET'S TALK TAX

Tax planning is a perpetual process. However, our tips are especially relevant to consider just before the end of the financial tax year. The tips we have provided are general in nature and should not be relied upon without seeking specific professional financial advice. To enable us to assist you with your own specific tax planning requirements, please do not hesitate to contact us – we look forward to hearing from you.

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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