AGILITY

Financial Solutions Ltd

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JULY/AUGUST 2022

SHOW ME THE MONEY

HOW TO INVEST YOUR MONEY AND AVOID COSTLY MISTAKES

INFLATION EATING YOUR SAVINGS?
How to benefit from tax reliefs in the current financial year

TIPS FOR A HEALTHY PENSION AS YOU APPROACH RETIREMENT
What really important retirement questions should you be asking?

RISING COST OF LIVING CRISIS
3 tips to maintain your financial wellbeing

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INSIDE THIS ISSUE

Welcome to our latest edition. It's not surprising that the world of investing can seem complex, especially in the current global economic climate. Investors face an endless supply of market news, many investment choices and often-changing market conditions. There are a number of key principles that every investor should follow with the aim of building an effective long-term strategy designed to achieve their financial goals. On page 06 we look at ten principles that every investor needs to know.

As your income increases, the complexity of your finances may too. Tax-efficiency is a key consideration when investing because it can make such an enormous difference to your wealth and quality of life. However, the type of investment and tax-efficiency you should be looking for depends on whether your priority is to save a lump sum for the future or to draw an income today. On page 09 we consider a number of allowances and reliefs available to UK taxpayers to help reduce your overall tax bill.

As you approach the last five years before your retirement, there will be a lot of things to consider. You'll need to think about your finances, your health, your housing situation and your plans for the future to live comfortably in retirement. There will also be lots of questions to ask and a number of things to review in order to ensure you have a comfortable and enjoyable retirement. Turn to page 10 to read the full article.

The rising cost of living is one of the most pressing issues facing many families today. The price of food, energy, fuel and other necessities has risen significantly in recent months. This has made it difficult to make ends meet and has put a strain on many household budgets. As many people feel the squeeze as the cost of essential items continues to increase, there are a few important things to consider to maintain your financial wellbeing. Read the article on page 03.

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

FOCUSING ON WHAT'S IMPORTANT AND GIVING YOU THE FREEDOM TO ENJOY LIFE

Whatever your questions or your life goals, we're here to give you the answers you need, allow you to focus on what's important and give you the freedom to enjoy life, wherever it may take you. If you would like to discuss your concerns or requirements, please contact us. We hope you enjoy reading this issue.

CONTENTS

03
RISING COST OF LIVING CRISIS
3 tips to maintain your financial wellbeing

04
MANAGING THE IMPACT ON YOUR PENSION
Just two out of five have planned for inflation in retirement

05
SELF-EMPLOYED VULNERABLE TO FINANCIAL SHOCKS
New research highlights that 81% aren't seeking financial advice

06
SHOW ME THE MONEY
How to invest your money and avoid costly mistakes

08
COST OF 'SAVER INACTION'
Millions of savers think inflation will leave them better off

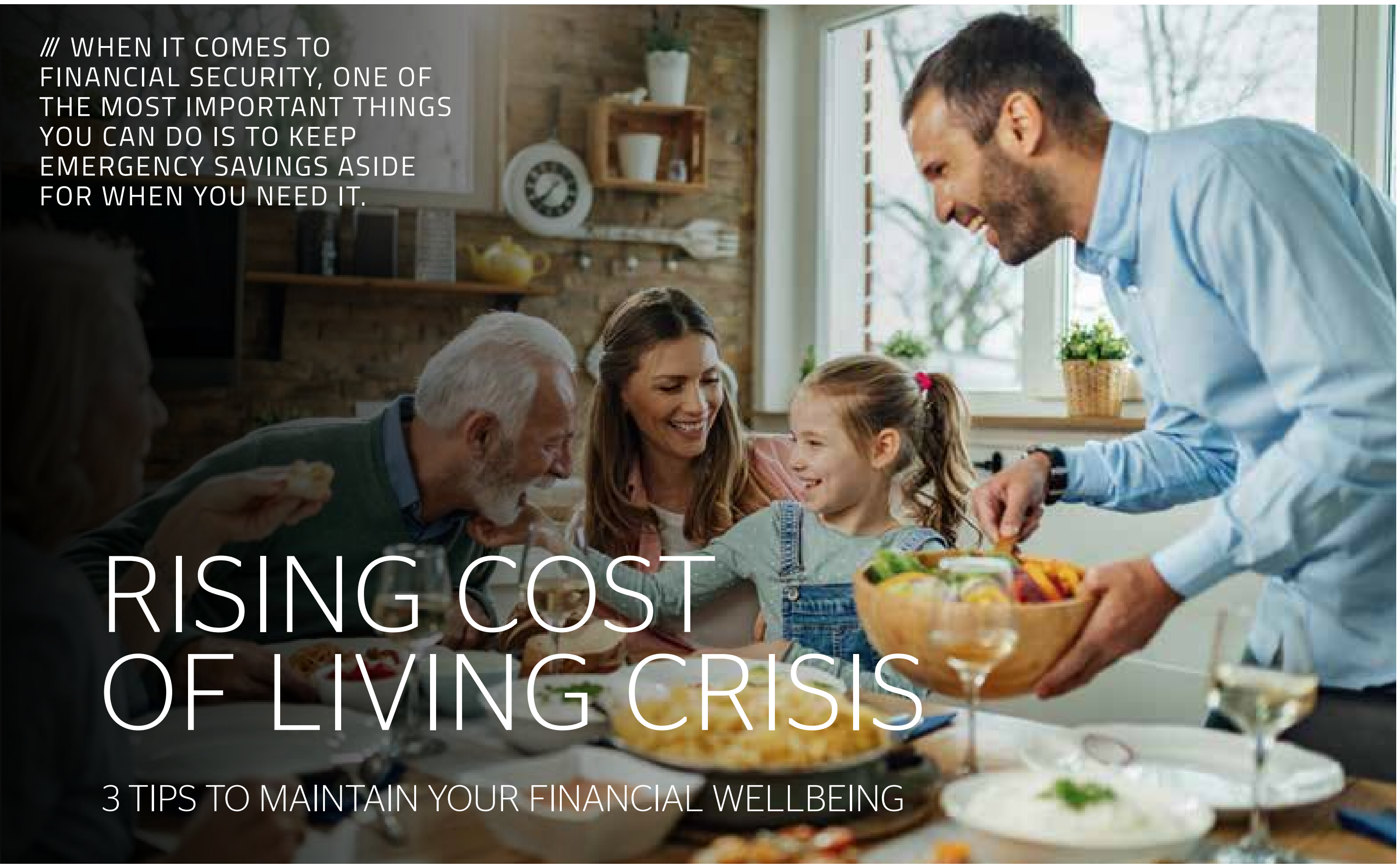
09
INFLATION EATING YOUR SAVINGS?
How to benefit from tax reliefs in the current financial year

10
TIPS FOR A HEALTHY PENSION AS YOU APPROACH RETIREMENT
What really important retirement questions should you be asking?

12
MIDLIFERS SET TO BE IMPACTED TWICE BY THE COST OF LIVING
Financial planning essential to help balance priorities

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

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



/// WHEN IT COMES TO FINANCIAL SECURITY, ONE OF THE MOST IMPORTANT THINGS YOU CAN DO IS TO KEEP EMERGENCY SAVINGS ASIDE FOR WHEN YOU NEED IT.

RISING COST OF LIVING CRISIS

3 TIPS TO MAINTAIN YOUR FINANCIAL WELLBEING

The rising cost of living is one of the most pressing issues facing many families today. The price of food, energy, fuel and other necessities has risen significantly in recent months. This has made it difficult to make ends meet and has put a strain on many household budgets.

Planning for the rising cost of living can be a challenge, especially if your income isn't keeping up with inflation. As many people feel the squeeze as the cost of essential items continues to increase, there are a few important things to consider to maintain your financial wellbeing.

1. REVIEW SPENDING

The rising cost of living can be a real problem, especially if you're not mindful of your spending. Going through your spending with the finest tooth comb can help you find areas where you may be able to cut back, and save money in the long run. Keep an eye on your budget and make adjustments as necessary to ensure that you are aware of your outgoing costs and can adapt your spending accordingly. Being able to see exactly where your money's going will help you to pin down where you can make savings and cuts.

Ask yourself: What's coming in and going out? Can I get something for cheaper? And (often the hardest of all): Do I really need that? Look at the money you have coming into your home – whether that's just you or with someone else. You want to look at every single thing that's going out (there may be a lot more than you think).

2. EMERGENCY SAVINGS

When it comes to financial security, one of the most important things you can do is to keep emergency savings aside for when you need them. Having a nest egg that you can tap into in times of need can help you weather a storm. One method is to create a dedicated savings account that you only use for this purpose. This way, you can easily access the funds when you need them but they remain out of reach for everyday spending.

Aim to build up enough to cover between three to six months' expenses, or as much as you can afford. The best thing to do is make room for your savings in your budget as one of your outgoings. By doing so, it'll help you see your savings as a must, rather than a must-do-later. And if you can, set up an automated payment from your normal bank account straight into your savings account – that way you don't even need to think about it.

3. PENSIONS AND INVESTMENTS

As many people across the country are feeling the squeeze of a cost of living crisis, it's more important than ever to make sure your finances are in good shape. One way to do this is by making sure you don't touch your pension or investments. While it may be tempting to dip into these savings to help make ends meet in the short term, it's important to think about the long-term impact this could have on your retirement plans.

Drawing down on your pension or selling investments could leave you worse off in the long run, so it's important to consider all of your options before making any decisions. Consolidating your old pensions into one could help you cut down on management fees and give you a better picture of how your finances are looking. But before transferring your pensions it is essential to obtain professional financial advice. ■

DON'T FORGET YOUR LONG-TERM FINANCIAL SECURITY

It's important to think about the long term when it comes to your finances. Making short-term decisions could jeopardise your long-term financial security. To discuss your situation or plans or for further information, please contact us.

MANAGING THE IMPACT ON YOUR PENSION

JUST TWO OUT OF FIVE HAVE PLANNED FOR INFLATION IN RETIREMENT

Retirement planning can be complex at the best of times, so it is easy to understand how some people can find it daunting to take into account factors like inflation. The reality is that inflation hurts everyone, but it can be especially harmful to retirees.

Whether it's the price of food, fuel, energy or other goods and services that we purchase, inflation is definitely increasing. The current economic climate clearly illustrates just how important it is to consider the impact of inflation on your future retirement income and take proactive steps to manage this.

REACHING HISTORIC HIGHS

Just two out of five (37%) over-55s have planned for the impact of inflation on their spending power when they stop work, according to new research[1]. As the consumer price inflation continues to reach historic highs, many over-55s who are either approaching retirement or have retired are facing an inflation shock as they try to manage their retirement income.

Indeed, 41% admitted they had not planned for inflation or did not know whether they had. The other 22% say they just have not planned their retirement income at all. Interestingly, the current discussion around inflation has impacted people's approach to retirement, with 43% of those who are working full-time planning to factor this challenge in – up from 39% of those who have already retired.

RETIREMENT SPENDING POWER

The current challenging economic situation is also encouraging a more thoughtful approach to retirement, with only 15% of the employed confessing to a lack of retirement planning compared to 23% of those who are already retired.

Among those who say they have planned for the impact of inflation on their retirement spending power, more than a third (34%) say they can rely on the State Pension keeping pace with rising prices while 33% believe their company pension will rise in line with inflation.

INFLATION ROSE SHARPLY

As well as looking to the State Pension and company pensions, the 30% of those who have prepared for inflation say they have anticipated the need for their income to rise each year and have approached their savings accordingly.

Around a quarter (26%) say they have considered how much spending they might need to cut if inflation rose sharply. The main reason for failing to take account of inflation was its unpredictability – 31% say they did nothing because they could not forecast it, while 30% say they had been caught out by the recent increase in inflation after years of stability.

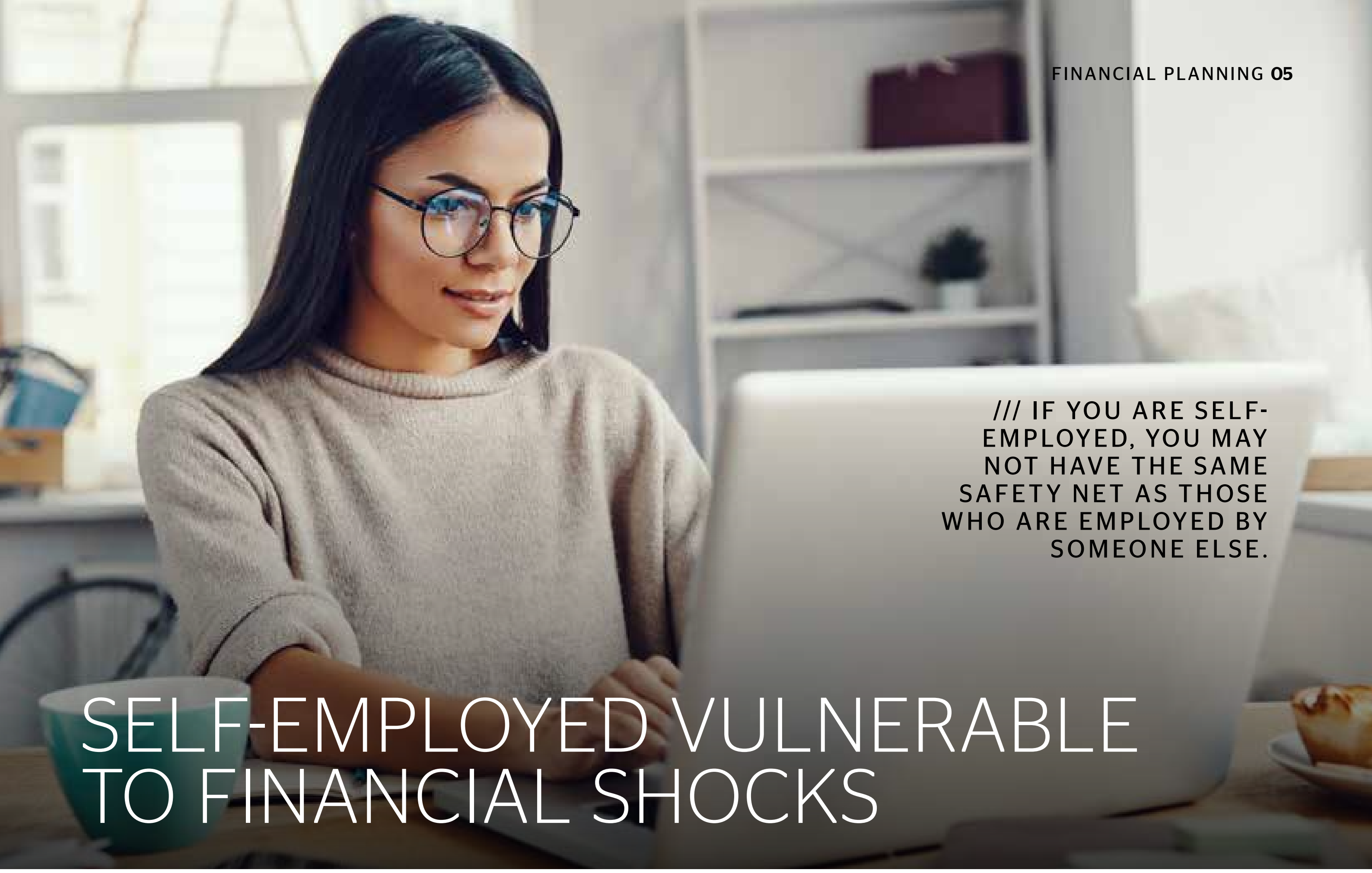
EXPLORE DIFFERENT OPTIONS

The importance of future proofing your finances is clearly moving up the agenda and when you compare retirees with those over-55s who are still working, you can see that the recent inflation shock has encouraged people to plan more carefully.

No one wants to find that as they age, they need to cut back more and more just to make ends meet. While saving as much as possible for retirement and careful planning is clearly important, it is also vital to consider all your assets and to explore different options, whether it is boosting your tax-free savings, downsizing or accessing your housing equity. ■

CONCERNED ABOUT HOW INFLATION COULD AFFECT YOUR RETIREMENT PLANS?
Deciding when to retire is a potentially life-changing decision and can feel like a daunting leap. It's never too early to start thinking about how you should plan to fund your retirement and take into account the impact of rising inflation on those plans. To find out more, please contact us.

Source data:
[1] Key Advice 18 May 2022.



/// IF YOU ARE SELF-EMPLOYED, YOU MAY NOT HAVE THE SAME SAFETY NET AS THOSE WHO ARE EMPLOYED BY SOMEONE ELSE.

SELF-EMPLOYED VULNERABLE TO FINANCIAL SHOCKS

NEW RESEARCH HIGHLIGHTS THAT 81% AREN'T SEEKING FINANCIAL ADVICE

As more and more people reject the traditional working structure in favour of becoming self-employed, some people could be at risk of financial insecurity as they lose out on employee benefits that offer protection in the present, and financial planning for the future.

New research highlights this group's vulnerability to financial shocks and the importance of expert financial advice to open up conversations to ensure that all aspects of protection are discussed, and that the right solutions are in place to help create financial peace of mind.

FACING FINANCIAL HARDSHIP

If you are self-employed, you may not have the same safety net as those who are employed by someone else. If you become sick or injured and are unable to work, you could face financial hardship without income protection insurance.

Income protection insurance could help replace your lost income if you are unable to work due to an illness or injury. It can give you peace of mind knowing that you will still be able to meet your financial obligations even if you are unable to work.

SEEKING FINANCIAL ADVICE

Over half (57%) of self-employed workers in the UK rely on personal savings when they are not working, yet a massive 81% aren't seeking financial advice according to new research[1]. Nearly two-thirds (64%) of those who are self-employed in the UK revealed they are without a regular income, with just one in five (23%) receiving a monthly pay packet.

The research also found that almost half (48%) of self-employed people see their income fluctuate as a result of owning their own business, with a similar proportion (49%) putting this down to being a freelancer, contractor or consultant.

VULNERABILITY TO FINANCIAL SHOCKS

As the cost of living rises and private rents and mortgages in the UK increase at the fastest rate in five years, a quarter (24%) of those surveyed said they only had enough money to cover such costs for three months if they were unable to work.

With the research highlighting the group's vulnerability to financial shocks and the importance of expert financial advice, worryingly one-quarter (24%) say they hadn't thought about seeking professional advice.

SECURE FINANCIAL PROTECTION

Not being eligible for Statutory Sick Pay (SSP) can prove a real problem for the self-employed and their financial resilience – during the pandemic, a fifth (21%) of all applications to the Test and Trace Support Payment scheme were from this group, according to a Freedom of Information request by The Community Union.

And while many have taken steps to secure financial protection for themselves and their families, 13% of self-employed workers in the UK still don't have critical illness cover or life insurance. ■

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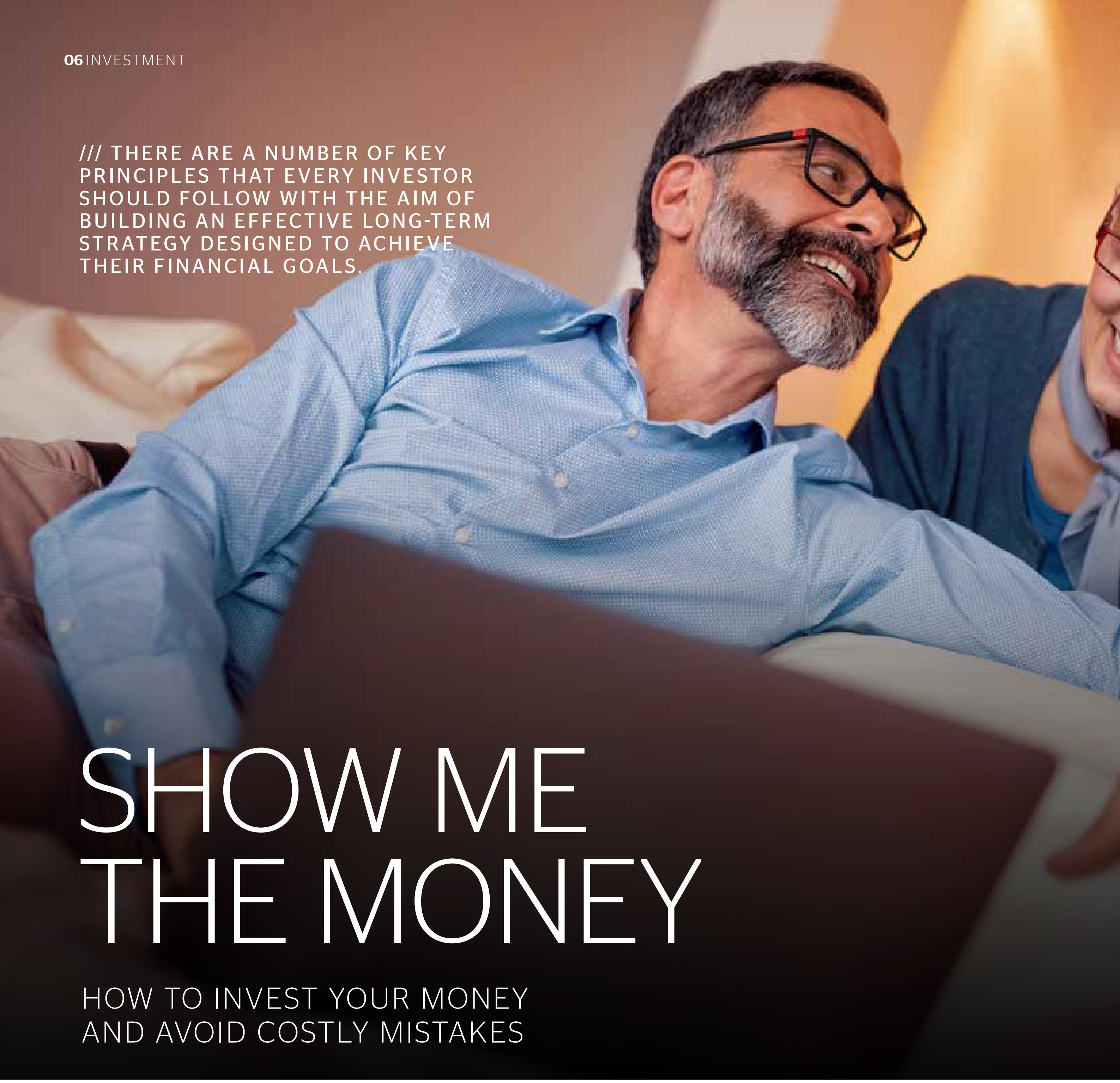
NOT SURE WHAT YOU NEED?

When you're self-employed or a contractor, you get the perk of being your own boss, but you wave goodbye to traditional employee benefits like company sick pay. To discuss how we can help protect your future financial wellbeing and to discuss the options available to you, please contact us for more information.

Source data:

[1] The research was carried out online by Opinium Research across a total of 2,002 UK adults (booster sample of 502 self-employed workers and 1,015 renters). Fieldwork was carried out between 21–27 October 2021.



/// THERE ARE A NUMBER OF KEY PRINCIPLES THAT EVERY INVESTOR SHOULD FOLLOW WITH THE AIM OF BUILDING AN EFFECTIVE LONG-TERM STRATEGY DESIGNED TO ACHIEVE THEIR FINANCIAL GOALS.

SHOW ME THE MONEY

HOW TO INVEST YOUR MONEY AND AVOID COSTLY MISTAKES

It's not surprising that the world of investing can seem complex, especially in the current global economic climate. Investors face an endless supply of market news, many investment choices and often-changing market conditions.

There are a number of key principles that every investor should follow with the aim of building an effective long-term strategy designed to achieve their financial goals.

HERE'S OUR RUNDOWN OF THE 10 PRINCIPLES THAT EVERY INVESTOR NEEDS TO KNOW:

1. SET INVESTMENT GOALS

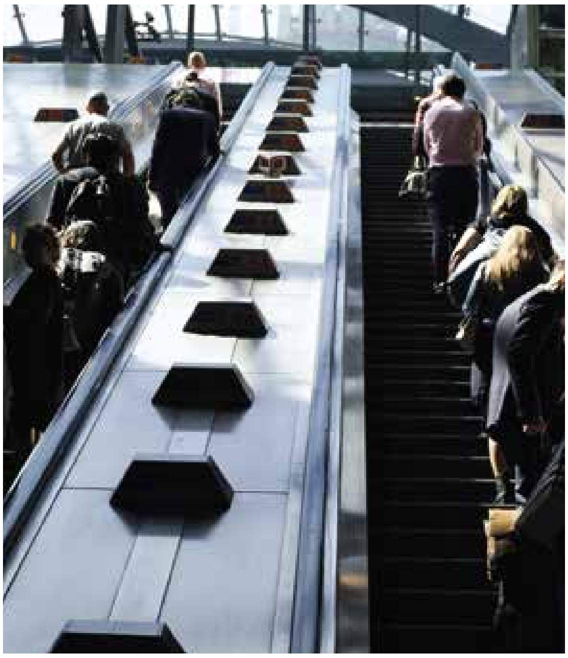
- It's important that you set yourself investment goals – this will help you stay focused and on track to achieving your financial objectives – with a well-structured plan in place, you can confidently stay committed to it.
- There are a number of factors to consider when setting your goals, such as your age, investment timeframe and risk tolerance.

2. PLAN ON LIVING A LONG TIME, AND SAVING MORE FOR IT

- People aged 65 years in the UK in 2020 can expect to live on average a further 19.7 years for males and 22.0 years for females, projected to rise to 21.9 years for males and 24.1 years for females aged 65 years in 2045[1].
- Investors should start early, invest with discipline and have a plan for their future.

3. CASH IS RARELY KING, AND INFLATION EATS AWAY AT YOUR PURCHASING POWER

- Cash is a popular asset class, but it's important to remember that it is not always king – inflation can erode the purchasing power of your cash, making it a less attractive option in the long run.



- When inflation is taken into account, cash typically lags behind other asset classes such as stocks and bonds, which can mean that over time, cash will generally be worth less in terms of purchasing power.

4. START EARLY AND RE-INVEST INCOME – COMPOUNDING WORKS MIRACLES

- Compounding is often called the eighth wonder of the world – by starting to invest early and reinvesting your income, you can take advantage of compounding to build your wealth over time.
- The power of compounding is so great that delaying investing by even just a few years, or choosing not to reinvest income, can make an enormous difference to your eventual returns.

5. RETURNS AND RISKS GENERALLY GO HAND IN HAND, SO BE REALISTIC ABOUT YOUR OBJECTIVES AND WHAT YOU CAN ACHIEVE

- Of course, you always want to aim for the highest possible return while taking on the least amount of risk. But in reality, there is usually a trade-off involved – the higher the potential return, the higher the risk. And vice versa.
- Therefore, if you want to target a higher level of return, you have to be willing, and able, to tolerate larger swings in the value of your investments along the way.

6. VOLATILITY IS NORMAL, SO KEEP YOUR HEAD WHEN ALL ABOUT YOU ARE LOSING THEIRS

- Volatility is a normal part of the market, so don't let it rattle you – keep your head when all about you are losing theirs, and remember that the best time to invest is often when others are panicking.
- So don't panic when the markets are down. Instead, stay calm and focused on your long-term goals.

7. TIMING THE MARKET IS DIFFICULT, STAYING INVESTED MATTERS

- It's no secret that timing the stock market is difficult. In fact, it's often said that trying to time the market is a fool's errand. By staying invested you ensure that you're participating in the long-term growth of the market, which helps to mitigate the effects of volatility.
- Staying invested in the market allows you to take advantage of opportunities as they arise. By staying invested, you'll be in a position to buy when prices are low and sell when prices are high.

8. DIVERSIFICATION WORKS: DON'T PUT ALL YOUR EGGS IN ONE BASKET

- By spreading your money across different investments, you can minimise your risk and maximise your chances of success.
- Over time, different investments will tend to even out, so the aim is to grow your money even if some investments underperform due to market movements.

9. REVIEW YOUR PORTFOLIO

- Reviewing your investment portfolio allows you to monitor your progress and ensure that your investments are performing as expected, giving you the opportunity to make changes to your portfolio if necessary.
- It helps you stay disciplined and focused on your long-term goals.

10. IF IT SEEMS TOO GOOD TO BE TRUE, IT USUALLY WILL BE

- Promises of high returns with little or no risk are almost always too good to be true – there are a lot of scams out there, and many people looking to take advantage of unsuspecting investors.
- Before investing, consult with a financial professional to help you understand the risks involved.

WHAT ARE YOUR LONG-TERM WEALTH PRIORITIES?

Whatever your long-term wealth priorities, our first investment will always be in understanding your priorities and building a personal relationship with you. To discuss your plans or for further information, please contact us.

Source data:

[1] The Office for National Statistics (ONS) – Past and projected period and cohort life tables: 2020-based, UK, 1981 to 2070

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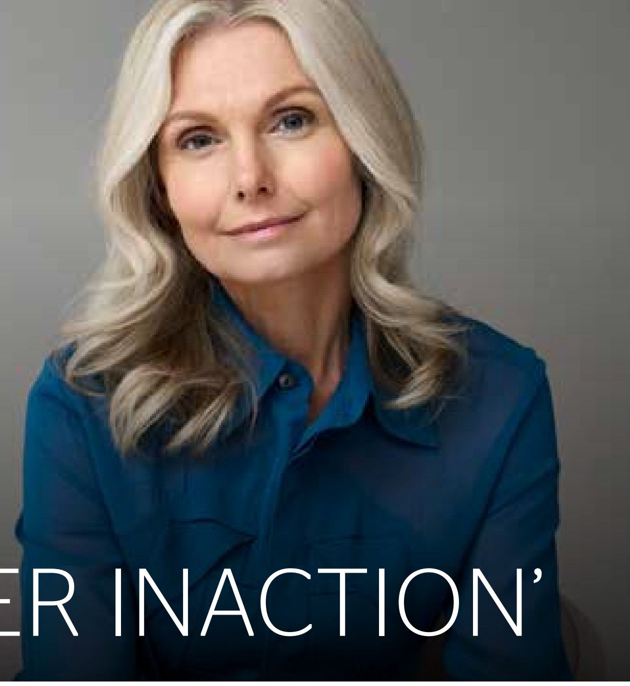


/// MILLIONS OF SAVERS (64%, THE EQUIVALENT OF 10.3 MILLION) HAVE TAKEN NO ACTION ON THEIR SAVINGS, DESPITE CASH EARNING NEXT TO NOTHING IN INTEREST AND INFLATION RISING STEEPLY.

COST OF 'SAVER INACTION'

MILLIONS OF SAVERS THINK INFLATION WILL LEAVE THEM BETTER OFF

Despite inflation reaching its highest rate for many decades, some people in the UK are not aware of its impact on their finances. More than half of all cash savers (52%) don't know what impact inflation will have on the real value of their cash savings over time.

One in ten (13%) incorrectly believe inflation will leave them better off and 13% think the real value of their savings would stay the same, according to new research[1].

IMPACT INFLATION COULD HAVE ON CASH

More than a quarter (26%) say they don't know what impact inflation could have on their cash

Millions of savers (64%, the equivalent of 10.3 million) have taken no action on their savings, despite cash earning next to nothing in interest and inflation rising steeply.

In fact, half of all savers (54%) currently keep their money in cash over the long term.

OPTIONS TO MAKE MONEY WORK HARDER

The total cost of 'saver inaction' in such an environment could amount to £18 billion if this trend continues over the next five years[2]. Savers currently have £136 billion sitting in Cash Individual Savings Accounts (ISAs) with, on average, interest rates equating to 0.26% per year[3].

Many savers don't realise inflation is eating away at millions of pounds sitting in low-interest paying accounts. Whilst it is essential to keep some cash in the bank for an emergency fund, savers might want to consider other options to make their money work harder.

3 WAYS OF PROTECTING YOUR SAVINGS FROM INFLATION

TIP 1: WORK OUT HOW MUCH TO PUT ASIDE AS AN EASY-ACCESS EMERGENCY FUND

As a rule of thumb, aim to cover your essential expenses for between three to six months, or what you can afford. For example, bills like energy, your mortgage, rent, travel and food costs, so should the unexpected happen, you'll be prepared. And you'll know exactly how much money you need to keep in cash (which can be impacted by inflation), so you can start saving any extra income in more inflation-proof ways.

TIP 2: GET THE BEST INTEREST RATE YOU CAN ON YOUR SAVINGS

Make sure that any cash savings you have are receiving the highest interest rate possible. These days you can switch savings accounts and ISAs relatively easily. But if you do find a higher rate, remember that they can quickly go down. For example, it's common for Cash ISAs to offer high rates for the first year. Those rates can then drop dramatically after the first year. So always set a reminder to keep an eye on any new savings rates you find.

TIP 3: THINK ABOUT INVESTING YOUR MONEY OR TOPPING UP YOUR PENSION TO BEAT INFLATION

It's important to be aware of the long-term impact on pension contributions, alongside the compounding effects of investing. Consider topping up your pension, or investing in a Stocks & Shares ISA. It's understandable you may feel unsure about the future at this moment in time, but the key thing to remember is that investing is for the long term.

With time on your side, you can balance out the ups and downs of market volatility and economic uncertainty. And once you have an emergency fund in place, investing your money is one of the best ways to beat inflation. By investing your money, you can grow your wealth while preserving the value of your money. ■

TRULY UNDERSTANDING YOUR VISION

Financial planning is a journey that spans your entire lifetime and it centres around where you are now, where you want to be and your values. Your financial plan is the roadmap that gets you there, and it can only be created once we truly understand your vision. For more information about how we can help you, please contact us.

Source data:

[1] Opinium survey of 2,001 UK adults in the UK conducted between 4–8 February. The 10.3 million savers refers specifically to Cash ISA savers.

[2] This is based on 10,303,247 Cash ISA savers with median savings of £7,231 stalling their investment decision. The total savings amount is projected over five years at a Cash ISA rate of 0.26%, allowing for a 6%, 7% and 8% rate of inflation per annum. This results in an erosion of value of £18 billion, £21 billion and £23 billion over a five-year period.

[3] As at January 2022, average interest rate for instant access Cash ISAs: https://www.which.co.uk/news/2022/01/a-month-on-from-the-base-rate-rise-have-savings-rates-improved/

INVESTORS DO NOT PAY ANY PERSONAL TAX ON INCOME OR GAINS.

TAX TREATMENT VARIES ACCORDING TO INDIVIDUAL CIRCUMSTANCES AND IS SUBJECT TO CHANGE.

STOCKS AND SHARES ISAS INVEST IN CORPORATE BONDS; STOCKS AND SHARES AND OTHER ASSETS THAT FLUCTUATE IN VALUE.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

INFLATION EATING YOUR SAVINGS?

HOW TO BENEFIT FROM TAX RELIEFS IN THE CURRENT FINANCIAL YEAR

As your income increases, the complexity of your finances may too.
Tax-efficiency is a key consideration when investing because it can make such an enormous difference to your wealth and quality of life.

However, the type of investment and tax-efficiency you should be looking for depends firstly on whether your priority is to save a lump sum for the future or to draw an income today.

There are a number of allowances and reliefs available to UK taxpayers on their savings and investments. It is important to make use of these, as they can help to reduce your overall tax bill.

MAXIMISE YOUR ISA ALLOWANCE

If you're looking to save money on your taxes, if you're a UK resident one way to do so is by contributing to an Individual Savings Account (ISA). With an ISA, you can shelter up to £20,000 of your income from taxation in the 2022/23 tax year.

STOCKS & SHARES ISA

If you're looking to maximise your ISA allowance in this current tax year, you could consider opening a Stocks & Shares ISA. With a Stocks & Shares ISA, you can invest in a wide range of assets, including shares, corporate and government bonds, unit trusts, investment trusts, exchange-traded funds, individual stocks and shares and OEICs (Open Ended Investment Companies). Not only will your investment grow tax-efficiently, you'll also benefit from the potential for capital gains.

CASH ISA

Another option is to open a Cash ISA. With a Cash ISA, you can earn interest on your savings without having to pay any tax on the interest earned. This makes it an ideal way to boost your savings while minimising your tax liability. A Cash ISA is available to anyone aged 16 or over, while an ISA invested in any combination of cash and shares is available to those over the age of 18.

LIFETIME ISA (LISA)

If you're looking to save for retirement or to buy your first home, you may also want to consider opening a Lifetime ISA (LISA), which is available for people aged between 18 and 40. With a Lifetime ISA, you can save up to £4,000 in the current tax year, which counts towards your annual ISA allowance. The government will add a 25% bonus to savings held in a LISA, up to a maximum of £1,000 per year, and this does not count towards your ISA allowance.

You need to bear in mind that the money you put into a LISA each year forms part of your overall £20,000 ISA allowance — so if you put £4,000 in a LISA during the tax year, you'll be able to put £16,000 into other ISAs.

JUNIOR ISA (JISA)

Finally, if you have children, you may want to consider opening a Junior ISA (JISA) for them. The Junior ISA is available to UK residents aged under the age of 18 who do not have a child trust fund account (a child trust fund can be transferred into a Junior ISA to enable future subscriptions to be made to the Junior ISA – or the child trust fund can be kept and up to £9,000pa can be paid into it instead of the Junior ISA). Under-18s, or their parents, can put up to £9,000 in a Junior ISA each tax year. The money saved in a Junior ISA will grow tax-efficiently and can be used for a wide range of purposes, including education and training costs.

If unused, your ISA allowance cannot be carried from one tax year to the next.

CONSIDER PUTTING MORE INTO A PENSION

Under the current rules for tax year 2022/23, the maximum gross contributions that are eligible for tax relief each tax year are the lower of your gross earned income and £40,000. That includes employer and employee combined contributions and if this Annual Allowance is exceeded, a tax charge applies on the excess unless it can be covered by using carry forward. Very high earners may have a lower Annual Allowance.

Increasing your pension contributions is a very effective way of saving for retirement. By putting more into your pension, you will be able to build up a larger pot of money which can provide you with a comfortable retirement income.

MAKING THE MOST OF RETIREMENT PROSPECTS

It is also worth considering increasing your pension contributions if you have recently had a pay rise or come into some extra money. By doing this, you will ensure that you are making the most of your finances and making the most of your retirement prospects. You can also carry forward unused annual allowances from the previous three tax years, subject to certain rules, providing further scope for making contributions.

If you earn over £100,000, making pension contributions can be highly advantageous. Your personal allowance is reduced by £1 for every £2 of income above £100,000; this means your allowance is zero if your income is £125,140 or above. However, if you make a pension contribution this comes off your income figure for this purpose and so if the gross contribution is enough to reduce your total income below £125,140, you are able to offset or remove the reduction in your personal allowance. ■

COULD YOU SAVE A SIGNIFICANT AMOUNT OF MONEY IN TAXES?
Making use of these allowances and reliefs could save you a significant amount of money in taxes every year. Speak to us to see how you can make the most of them — to find out more, please contact us.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE 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. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

INVESTORS DO NOT PAY ANY PERSONAL TAX ON INCOME OR GAINS. TAX TREATMENT VARIES ACCORDING TO INDIVIDUAL CIRCUMSTANCES AND IS SUBJECT TO CHANGE.

STOCKS AND SHARES ISAS INVEST IN CORPORATE BONDS; STOCKS AND SHARES AND OTHER ASSETS THAT FLUCTUATE IN VALUE.

TIPS FOR A HEALTHY PENSION AS YOU APPROACH RETIREMENT

WHAT REALLY IMPORTANT RETIREMENT QUESTIONS SHOULD YOU BE ASKING?

As you approach the last five years before your retirement, there will be a lot of things to consider. You'll need to think about your finances, your health, your housing situation and your plans for the future to live comfortably in retirement.

There will be lots of questions to ask: How much money will I need to have saved? What will my income sources be in retirement? What kind of lifestyle do I want in retirement? What will my health care needs be in retirement? What are my long-term care needs in retirement? What are my estate planning needs in retirement? What are my tax considerations in retirement?

There are also a number of things to review in order to ensure you have a comfortable and enjoyable retirement.

THINGS YOU MIGHT WANT TO CONSIDER AS YOUR RETIREMENT APPROACHES. HERE ARE JUST A FEW:

TRACK DOWN YOUR PENSIONS

There are a number of ways you can track down a pension in the UK. But the most straightforward is to use the government's Pension Tracing Service to help you find lost pensions – visit: https://www.gov.uk/find-pension-contact-details

The most important thing is to keep good records and to know where your pension money is invested. If you have moved jobs or changed address, update your records with your current contact details. This will help ensure that you receive any correspondence relating to your pension.

WHEN CAN YOU ACCESS YOUR PENSION/S?

The earliest you can currently access your UK pension is age 55 (this will be changing to age 57 in 2028 unless your pension plan has a protected lower pension age). However, this does not mean you automatically receive your pension at this age – it simply means that you can start to take benefits if you wish. The exact amount and how often you receive your pension payments will depend on the rules of the specific scheme you're in.

For workplace and personal pensions, there's no set retirement age, so it's down to the rules of the individual scheme. Some schemes may require you to retire at a certain age, while others may give you the flexibility to carry on working for as long as you want. The decision of when to take your pension is a personal one, and will depend on your individual circumstances.

WHAT'S YOUR PENSION'S VALUE?

There are many benefits to checking your UK pension's value regularly as you approach

retirement. By doing so, you can ensure that your pension remains on track to providing you with the income you will eventually want in retirement.

By keeping track of your pension's value, you can be sure that you are making the most of your investment and are keeping an eye on any changes in the value of your retirement fund. This is important because it will help you identify what adjustments, if any, need to be made to your retirement plans.

GET A STATE PENSION FORECAST

A State Pension forecast gives you an estimate of the amount of money you will receive from the government once you reach retirement age. You can obtain your forecast online through the government's website, visit: https://www.gov.uk/check-state-pension. When requesting your forecast, you will need to provide personal information, such as your date of birth and National Insurance number.

Once you have received your forecast, it is important to keep in mind that the amount stated is only an estimate. The actual amount you receive may be higher or lower than what is indicated on your forecast, depending on a number of factors.

FIND OUT THE VALUE OF YOUR OTHER INVESTMENTS

You need to obtain an accurate estimate of the value of your other investments when planning for retirement. These will play a role in how much money you'll need to withdraw from your retirement accounts each year. If you have a large investment portfolio, you may be able to withdraw less each year, which could help stretch your retirement savings further.

The value of your other investments is likely to impact on how much income you'll need to generate from them in order to meet your retirement expenses. If you have a more modest portfolio, you may need to withdraw more each year in order to cover your costs. Knowing the value will enable you to determine whether you're on track to reaching your retirement goals. If your portfolio is worth less than you had hoped, you may need to make adjustments to your savings and investment strategy in order to realign your retirement plans.

HOW WILL YOU ACCESS YOUR PENSION?

If you have a UK Defined Contribution pension, you may be able to take some or all of your pension benefits as a lump sum from age 55 (age 57 in 2028 unless your plan has a protected lower pension age). This is known as 'crystallising' your pension. You can take up to one-quarter of your pension pot as a tax-free lump sum. The remaining balance can be used to provide an income for life or to draw on flexibly as required.

However, there are some things you should bear in mind before taking this step. Taking all of your pension benefits as a lump sum will mean that you will have less money to live on in retirement. This is because the lump sum above the 25% tax-free amount will be subject to Income Tax. Taking your pension fund as a lump sum does not affect your State Pension, but it can affect certain means-tested state benefits.

MAKE A RETIREMENT BUDGET

It's no secret that retirement can be expensive, especially with the effects of rising inflation. In addition to the obvious costs, like housing and healthcare, there are a myriad of other expenses that can quickly add up. From travel and leisure to groceries and utilities, retirees have plenty of bills to pay. That's why it's so important to create a retirement budget. By understanding where your money is going, you can identify potential areas of improvement.

A retirement budget doesn't have to be complicated. But it should include all of your expected sources of income, as well as all of your anticipated expenses. Once you have a clear picture of your cash flow, you can start making adjustments to ensure you can look forward to enjoying your retirement years. ■

/// IT'S NO SECRET THAT RETIREMENT CAN BE EXPENSIVE, ESPECIALLY WITH THE EFFECTS OF RISING INFLATION. IN ADDITION TO THE OBVIOUS COSTS, LIKE HOUSING AND HEALTHCARE, THERE ARE A MYRIAD OF OTHER EXPENSES THAT CAN QUICKLY ADD UP.

READY TO DISCUSS YOUR RETIREMENT PLANS?

Before making any decisions about your retirement plans, it's important to seek professional financial advice. This will help you understand all of your options and make the best decision for your individual circumstances. For more information or to discuss your requirements, please contact us.

MIDLIFERS SET TO BE IMPACTED TWICE BY THE COST OF LIVING

FINANCIAL PLANNING ESSENTIAL TO HELP BALANCE PRIORITIES

As the cost of living crisis continues to rise, midlifers are set to be impacted particularly hard. This is because many midlifers are still paying off mortgages and other debts, while also trying to support their families. This means that they often have less disposable income than younger people.

In addition, midlifers are more likely to face redundancy or early retirement, which can make it even harder to make ends meet. And, with life expectancy increasing, midlifers are also likely to need to pay for more health care and other costs in their later years.

FINANCIAL RESPONSIBILITY COULD RISE

According to new analysis, the financial responsibility of people in midlife (40 to 60 years old) could rise significantly in 2022[1]. Midlifers who provide financial support to adult loved ones (17%) could be impacted twice by the cost of living crisis, due to increases in their own household bills and those of the adult loved ones they support.

Households are likely to see their income affected by a minimum of £1,200 this year due to tax rises and soaring energy bills[2], which could see midlifer households' essential bills increase by at least 10% (from £12,457 a year to £13,657[3]). This is on top of the £3,577 that midlifers already provide in financial support to their adult loved ones.

STEEPEST LEVELS OF SUPPORT

The effect could be a particular problem for people aged 40 to 44 years old, who face the steepest levels of support. Despite the fact that their household income is at its highest point (£38,956 on average), their outgoings (£13,491) and non-mortgage debt (£19,149) combined with their financial support for loved ones (£4,195) are the highest of any other group in midlife.

People in midlife who provide financial support for their loved ones are often called upon to help with the cost of monthly essentials, so are likely to suffer from the rising cost of living twice. As the data shows, this is particularly true for people in their early forties, who have high outgoings and tend to provide a greater degree of financial support. ■

IT'S GOOD TO TALK

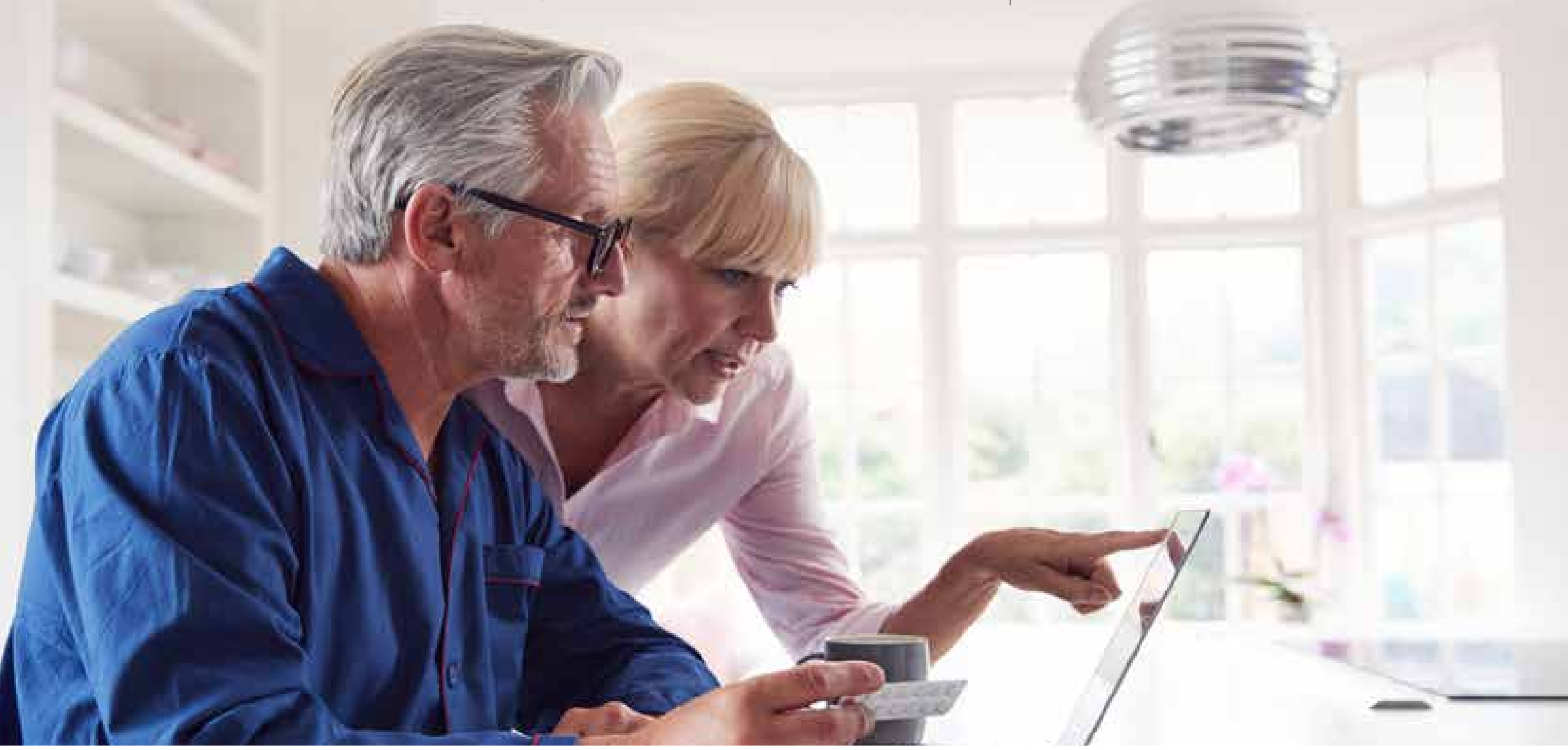
The cost of living crisis is putting a significant strain on many household budgets, and is leaving some midlifers struggling to make ends meet. All of this means that you need to be especially careful about how you manage your finances. To discuss your situation or to find out more, please contact us.

Source data:

[1] Opinium survey of 4,009 UK adults aged between 40 and 60 years old in the UK was conducted between 28 December and 6 January 2021.

[2] Year of the Squeeze, Resolution Foundation.

[3] Average essential outgoings for midlifers were £12,457; an increase of £1,200 as predicted by the Resolution Foundation could see them increase by 10% to £13,657.



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