LFA MONEY TALK

THE PERSONAL FINANCE NEWSLETTER PUBLISHED BY LIGHTHOUSE FINANCIAL ADVICE IN PARTNERSHIP WITH PROSPECT

In this issue:

TRUSTED FINANCIAL ADVICE IN UNCERTAIN TIMES

A study[1] of savers and investors has found that 1 in 25 people have recently sought advice for the first time ever. It also highlights myths that exist surrounding financial advice, with two in five people thinking they aren't wealthy enough to seek advice and 27% thinking advice is only for those with over £100,000.

Advice throughout your life

The reality is that 77% of those who have either sought advice or who currently have an adviser, have savings and investments of less than £100,000, compared to just 5% with more than £500,000.

The pandemic has clearly prompted a proportion of people to seek advice. It is often a life event which triggers the need for advice, rather than hitting a financial milestone. Common reasons for seeking advice include a desire for a financial health check, a change in family circumstances like marriage or a decision to invest for a child or grandchild.

Measuring value

Over the years, research has produced some interesting findings that highlight the benefit of taking advice when making financial decisions. One study[2] found that individuals who receive financial advice were likely, on average, to receive 4.4% more per annum in net returns. This was through a combination of financial planning, tax advice, preventing behavioural mistakes and rebalancing portfolios.

Helping you with important decisions

Successful planning involves a regular review of your circumstances and adapting to changes over the long-term. If you'd like help planning for life's important milestones or feel that you could benefit from an assessment of your current circumstances and would like help devising an individual plan for your financial future then do get in touch, we're here to help.

[1]Aegon, 2020
[2]Russell Investments, 2019

A GOOD TIME TO SEEK ADVICE

"As firms now step back and take time to reflect and review their post-COVID business operations, the threat of redundancy is unfortunately a reality for a number of people. This can understandably prove a very stressful and challenging time, as concerns about financial security come to the fore. Here at Lighthouse Financial Advice we are highly experienced in providing support and advice to employees in redundancy situations. Prospect members are entitled to a complimentary initial consultation with one of our professional financial advisers to explain your options clearly and help you make key decisions to lessen the impact."

Lee Barnard

Business Development Director, National Advice Business – Quilter Financial Planning.

Book a no obligation initial consultation

To book a financial review (conducted by phone) with one of our professional financial advisers call **08000 85 85 90** or email **appointments@lighthousefa.co.uk** or contact your usual Lighthouse Financial Adviser.

KEEPING ON TRACK FOR YOUR RETIREMENT

Recent stock market volatility may have made you anxious about your pension, particularly if you are nearing retirement, but it is important to consider the wider picture to keep your plans on track.

Resilient financial planning

Those who stick to their carefully-thought-out financial plans will inevitably be in better shape to ride out market volatility. Furthermore, those close to retirement may have already benefited by having their pension fund 'lifestyled', which automatically switches funds into safer assets such as cash, gilts and bonds.

Keep on course

Making decisions based on what is happening in the short-term can be a very risky thing to do, with the potential to lock in any losses you have made. Pensions are long-term investments, so for younger investors, there should be plenty of time for markets to recover and pension pots to achieve the necessary growth before retirement income is needed. For those closer to retirement, it is a good idea to review your pension pot alongside other savings and investments to get a full picture of your financial situation.

Funds for later life

An increasingly popular option to consider is that of a staggered retirement, where you continue to work part-time before giving up work completely. With people living longer, to ensure your pension lasts as long as you do, this trend provides for greater flexibility and preserves retirement funds into later life.

Financial advice is key

Recent months have seen an increased demand for professional financial advice. It has never been more important to get sound advice to keep your retirement plans firmly on track.

We're here to help

If you are concerned about the impact of the pandemic on your retirement plans, contact us. We can review your options and tailor make plans specifically to your individual needs.

AN INCREASINGLY POPULAR OPTION TO CONSIDER IS THAT OF A STAGGERED RETIREMENT, WHERE YOU CONTINUE TO WORK PART-TIME BEFORE GIVING UP WORK COMPLETELY.

2020/2021 – KNOW YOUR NUMBERS

Here are a few figures worth knowing in 2020–21 to help maximise your tax allowances and exemptions:

Pensions

From April, the new single-tier State Pension has risen to **£175.20** per week and the older basic State Pension increased to **£134.25** per week.

The Annual Allowance for pensions is **£40,000** and begins to taper (to a minimum of £4,000) for those who have an income above **£240,000**.

The Lifetime Allowance – the maximum amount you can have in a pension over a lifetime – has increased to **£1,073,100**.

Personal taxation

The National Insurance threshold is **£9,500** and the Personal Allowance remains the same as last year, at **£12,500**.

Savings

The annual amount you can save into a JISA (Junior Individual Savings Account) or Child Trust Fund has increased substantially, from £4,368 to **£9,000**. The ISA (Individual Savings Account) allowance, including the Lifetime ISA allowance if used, is **£20,000**.

Inheritance Tax (IHT)

The current IHT nil-rate threshold is **£325,000** for individuals and **£650,000** for a married couple or civil partners. Beyond these thresholds, IHT is usually payable at a rate of 40%. The main residence nil-rate band, which may apply if you leave your main residence to a direct descendant, is **£175,000**.

Planning pays

We can advise you on taking sensible steps to reduce the amount of tax you pay, on the path to achieving your financial goals.

Book a no obligation initial consultation

These are just some of the allowances available to you. To find out more, book a no obligation initial consultation with one of our professional financial advisers. Call **08000 85 85 90** or email **appointments@lighthousefa.co.uk** or contact your usual Lighthouse Financial Adviser.

COVID-19 – THE ULTIMATE FINANCIAL STRESS TEST?

Coronavirus has affected every aspect of our lives, particularly our financial stability. The crisis has acted as a stress test for the nation's finances, highlighting the fragility of many people's financial safety nets.

It has compelled individuals to take a closer look at their finances to see how they can reduce their expenses and become more mindful spenders.

Just like the Bank of England conducts stress tests on banks to gauge how they can withstand severe economic scenarios and have enough capital and are able to support the economy, the pandemic has provided a stress test for the personal finances of millions of people around the globe.

Saving for a rainy day

The outbreak has emphasised the importance of having emergency savings to fall back on. If you have some money put by, it is worth shopping around for the best rates, rather than letting your savings stagnate in a poorly paying account. If you don't have savings, then a regular savings scheme could be an excellent way of building up those rainy day funds.

Difficulties with debt

A sudden reduction in income for much of the population has left many facing higher levels of debt. While mortgage or other debt payment holidays have provided temporary relief, they will not last forever. Doing nothing could put a permanent black mark on your credit score, it's best to be proactive...

Help is at hand

If the pandemic has shown us anything, it is that we never really know what's around the corner. We're here to help you get financially prepared for whatever lies ahead – so please get in touch.

DIVERSIFY, DIVERSIFY, DIVERSIFY

History can provide several examples that show the old adage about eggs and baskets to be true – spreading risk has always made sense.

The Poseidon misadventure

Fifty years ago, the share price of Australian nickel mining company, Poseidon, rocketed from A$0.80 to $280.00 over the course of a few months before profit-taking began and the share price crashed. Receivership followed in 1974.

Twenty years later, another 'rising star' of the stock market burned out. Minor fashion house, Polly Peck, was acquired by new owners in 1980 and used as a vehicle for ventures in Northern Cyprus. After a series of deals in the 1980s, the growth was such that the company's shares entered the FTSE 100, before being suspended in September 1990 amid fraud allegations.

Fear of missing out

Before Poseidon and Polly Peck, there had been plenty of previous warnings about the risk of blindly following the herd, on an opportunity 'not to be missed.' The South Sea Bubble ruined many British investors as far back as 1720.

Diversification is right for everyone

As a general principle, any investment in shares needs to be spread across different areas, such as industry sectors and geographical regions, so that if one share price slumps it only affects part of your overall portfolio. A sensible way to achieve a spread of risk is through collective investment schemes with a risk profile to match your objectives and needs. We can advise on the investment strategies and products most appropriate for your individual circumstances.

HELPING MEMBERS OF PROSPECT SECURE THEIR FINANCIAL FUTURE

Each year we run hundreds of seminars on topics ranging from redundancy to retirement that give members of Prospect practical help with securing their financial future. To find out about arranging a seminar or surgery for members of Prospect at your place of work please contact one of our regional representatives. Please note, due to the Covid-19 pandemic, all seminars and surgeries will be delivered remotely as webinars or telephone surgeries. Please contact us to find out more.

London, the South & South Wales
Helen Andrews
T: 07771 804658
E: helen.andrews@lighthousefa.co.uk

The Midlands, the North West & North Wales
John Duffy
T: 07535 991722
E: john.duffy@lighthousefa.co.uk

The North East, Scotland & Northern Ireland
Gillian McGrath
T: 07887 788935
E: gillian.mcgrath@lighthousefa.co.uk.

MORTGAGE AFFORDABILITY IN A POST-LOCKDOWN WORLD

Back in March, the Bank of England slashed the Bank Rate to an all-time low of 0.1% in a bid to help alleviate some of the severe economic pressure caused by the pandemic. As the interest rate cut fed through to mortgage rates, lenders pulled some products from the market.

Many of the products withdrawn were high loan-to-value (LTV) deals (i.e. those requiring a smaller deposit) as lenders were concerned that a potential drop in house prices could push high LTV borrowers into negative equity.

Lenders remain cautious

When the property market reopened for business in May, several lenders relaunched higher LTV deals and products aimed specifically at first-time buyers, such as Help to Buy loans. However, in early June, many high LTV products were withdrawn again, due to high demand.

With the property market in the early stages of recovery, it's worth being proactive and maximizing your chances of mortgage approval. Follow these tips to help improve your chances:

- **Save as much as you can** – many of us are spending a great deal less than usual. Having a higher deposit will increase your chances of mortgage success
- **Clear your debt** – clearing as much debt as possible, as well as closing any unused accounts, will increase lenders' confidence in your ability to repay your mortgage
- **Understand your credit score** – the better your credit rating, the higher the likelihood you will be accepted for the most competitive mortgage deals
- **Self-employed? Keep excellent records** – having excellent records of your earnings over the past two or three years (depending on the lender) can really improve your chances
- **Consult the experts** – we can help you find a mortgage deal that gives you the highest chance of a successful application and suits your individual circumstances.

WHEN SHOULD YOU REMORTGAGE?

UK mortgage rates are at record lows after the Bank of England slashed interest rates in March to counter imminent threats to the economy. Does that mean now is a good time to remortgage? Or should you wait until the fallout for the property market is clearer?

Finding a competitive deal

There are competitive deals to be had at present, but remortgaging won't suit everyone. Those on tracker or variable rate mortgages, will certainly benefit from advice. If you're coming to the end of a fixed term, fixed rate deal, you might want to consider getting a more competitive deal now, while rates are low.

Navigating a changed market

While there is real potential to make savings here, borrowers should expect changes to the process. Requirements may be stricter as the unstable economy makes lenders more cautious, while a certain level of delay should also be expected as providers work through a backlog of applications. Borrowers who have taken a mortgage payment holiday may also find it harder to switch to a new lender at the moment due to their reduced financial circumstances.

SAVE AS MUCH AS YOU CAN – MANY OF US ARE SPENDING A GREAT DEAL LESS THAN USUAL. HAVING A HIGHER DEPOSIT WILL INCREASE YOUR CHANCES OF MORTGAGE SUCCESS