

LFA MONEY TALK

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



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TRUSTED FINANCIAL ADVICE IN UNCERTAIN TIMES

A study¹ 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 study² 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.

¹Aegon, 2020

²Russell Investments, 2019

WE CAN HELP GET YOUR FINANCES ON TRACK

Although we have endured some challenging times recently, you certainly shouldn't become disengaged and take your finger off the pulse of your finances. Now, more than ever, you need to take control, get focused and take the opportunity to review every aspect of your finances, including your pension, investments, savings, protection, tax planning and any mortgages you may have.

As Foster Talk's approved partner for financial advice, we can help. You are entitled to a complimentary financial review.

We can conduct a full review of your finances and make recommendations based on your objectives and requirements, whilst maximising any available allowances. So, why not prioritise your financial wellbeing today?

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. 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.

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:

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**.

Pensions

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**.

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.

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.

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SELF-EMPLOYED? SECURING A MORTGAGE NEED NOT BE MISSION IMPOSSIBLE

Being self-employed is an option for an increasing number of the population, for a whole host of reasons, including the pursuit of a better work-life balance and the appeal of being your own boss. Despite common misconceptions, being a 'selfie' does not need to be a barrier to getting on the property ladder. In many cases it simply requires a little organisation.

One size doesn't fit all

To be satisfied that you can afford to make the repayments on your mortgage, potential lenders will want reassurance of a steady income. While this is straightforward for those in employment, it is trickier for self-employed people, who are more likely to earn an irregular income. Although criteria can vary between lenders, typically you'll be asked to provide proof of earnings in the form of three years' worth of accounts, before an offer is made, although some may lend on less. It pays to keep your

accounts up to date and prepared by a qualified accountant.

Be on top of your figures

Understandably, lenders will want to carefully analyse your figures to ascertain affordability. In addition to your accounts, be ready to have your business and personal bank statements scrutinised. Your monthly bills, your spending on socialising, credit card bills and any loan repayments will be reviewed too.

Keep saving!

Having a substantial deposit behind you is a great starting point, not only for obtaining the mortgage itself, but also for getting access to better deals and potentially reducing your monthly repayments.

We are here to help

Getting a mortgage when you're self-employed can seem like a daunting task, but we are here to help you find the right lender and mortgage to suit your circumstances. Owning your own home does not need to be mission impossible.

IN A CHANGED WORLD – REVIEW YOUR INSURANCE COVER

The pandemic has served as a stark reminder of how our financial wellbeing can be affected without warning and has highlighted the need to have good protection cover in place.

Even if your own personal and financial circumstances haven't changed as a result of the pandemic, it's important to regularly review your protection insurance to make sure your policy provides adequate cover for your changing needs.

Comfort when you need it most

More people than ever are relying on the security of a safety net when things take an unexpected turn. According to figures from the Association of British Insurers (ABI) insurers paid out a record 98.3% of protection claims in 2019. However, if you haven't reviewed and updated your policy, you might find that you have insufficient cover and the payout isn't enough to cover your and your family's needs if you were to die or be unable to work due to illness.

Today's policies may offer more comprehensive cover

If you have simply been paying your premiums on the same policy for years, without reviewing the type of cover, you could run the risk of being inadequately insured as well as missing out on more comprehensive cover that may be available from today's policies. Helping to protect you it's understandable that inertia will result in many people sticking with the cover they already have, but this may not be the right cover for your circumstances today. Our advice will ensure you have the most suitable cover in place, giving you peace of mind that you and your family will be protected should the worst happen.

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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.

Protection is paramount

While it is easy to think you will never be ill enough to be unable to work, lockdown has changed that attitude for many. Insurance policies such as life cover, critical illness cover or income protection insurance could really help reduce the financial burden on you and your family.

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.

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.

SUCCESSFUL ESTATE PLANNING INCLUDES HAVING A VALID WILL IN PLACE AND ESTABLISHING TRUSTS WHICH MANAGE MONEY OR OTHER ASSETS ON BEHALF OF BENEFICIARIES. TRUSTS CAN GIVE YOU CONTROL OVER WHO RECEIVES WHAT AND WHEN

The value of your investments, and the income you receive from them, can go down as well as up, so you could get back less than you put in. A pension is a long-term investment and inflation will reduce how much your income is worth over the years. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation. As a mortgage is secured against your home or property, it could be repossessed if you do not keep up mortgage repayments.

Terms and conditions

Following the initial consultation if you wish to appoint Lighthouse Financial Advice as your financial adviser we will explain and agree any charges with you before undertaking any work on your behalf.