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Headstart Financial Planning

JANUARY/FEBRUARY 2018

# ISA returns of the year

*Taking control over where your money is invested tax-efficiently*

**Reach your financial goals**
Helping you realise your retirement vision

**Sleepwalking into retirement**
Lack of pension knowledge among UK adults

**Making solid financial resolutions**
Grow your money and live the life you want

**Do you have a financial back-up plan this year?**
Be prepared if life throws something unexpected your way

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# INSIDE THIS ISSUE

Welcome to our first edition of 2018. The New Year is the perfect time to overhaul your life for the better, and one excellent place to start is by making solid financial resolutions that can help get you closer to your money goals, whether it's increasing your retirement provision, looking to mitigate a potential Inheritance Tax bill or reviewing your level of protection in the event of an unexpected event.

We've now entered a new age of retirement planning with the introduction of pension freedoms. Thinking about pensions sooner rather than later can mean the difference between a comfortable retirement and struggling to make ends meet. On page 04, we provide seven pension tips for nurturing your nest egg in 2018.

A new tax year is nearly upon us – and that means, for all diligent savers and investors, it's important to make sure that you take full advantage of your current Individual Savings Account (ISA) tax-efficient allowance. And the good news is you don't even have to declare any investments held in ISAs on your tax return. This may not seem like much, but if you have to file an annual tax return, you'll know that any way of simplifying your financial administration can be very helpful. Read the full article on page 08.

Regardless of the life stage you have arrived at, it is important to receive expert and professional advice on your pension plans and requirements. However, the UK's middle-aged workers could be sleepwalking into retirement poverty. Four in ten people aged between 40 and 65 cannot accurately estimate their total pension savings for retirement. On page 06, we look at the reasons why.

Writing a Will may seem daunting – and with everything else we should be thinking about, it becomes just another chore on the New Year to-do list. But writing a Will is fundamental to the financial planning process. It answers one of our most basic desires – to make financial provision for all those that we hold dear. Turn to page 05.

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





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

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

# Making solid financial resolutions

*Grow your money and live the life you want*

**THE NEW YEAR IS THE PERFECT TIME TO OVERHAUL YOUR LIFE FOR THE BETTER,** AND ONE EXCELLENT PLACE TO START IS BY MAKING SOLID FINANCIAL RESOLUTIONS THAT CAN HELP GET YOU CLOSER TO YOUR MONEY GOALS, WHETHER IT'S INCREASING YOUR RETIREMENT SAVINGS OR SETTING ENOUGH MONEY ASIDE FOR A DOWN PAYMENT ON A HOUSE.

Investing is not just about what you know but also who you are. The key to successful investing isn't predicting the future – it's learning from the past and understanding the present. Investing offers potential to grow our money, reach our goals and live the life we want. Regardless of the market conditions at the moment, the keys to successful investing are always the same.

### Cash savings vulnerable to erosion by inflation

Investors often think of cash as a safe haven in volatile times, or even as a source of income. But even though we have seen a recent small rise in interest rates, we're still experiencing a period of ultra-low interest rates which have depressed the return available on cash to near zero, leaving cash savings vulnerable to erosion by inflation over time. With interest rates expected to remain low, investors should be sure an allocation to cash does not undermine their long-term investment objectives.

Cash left on the sidelines earns very little over the long run. Investors who have deposited their cash in the bank may have missed out on the impressive performance that would have come with staying invested over the long term.

Please note that these investments do not include the same security of capital which is afforded with a deposit account, and you may get back less than the amount invested.

### Making an enormous difference to your eventual returns

Compound interest has been called the eighth wonder of the world. Its power is so great that even missing out on a few years of saving and growth can make an enormous difference to your eventual returns.

You can make even better use of the effects of compounding if you reinvest the income from your investments to enhance your portfolio value further. The difference between reinvesting – and not reinvesting – the income from your investments over the long term can be significant.

### Be prepared upfront for the ups and downs of investing

Every year has its potential roller coaster ups and downs. Volatility in financial markets is normal, and investors should be prepared upfront for the ups and downs of investing rather than having a knee-jerk reaction when the going gets tough. The lesson is, don't panic: more often than not, a stock market pullback is an opportunity, not a reason to sell.

### Investors should look to keep a long-term perspective

Market timing can be a dangerous habit. Pullbacks are hard to predict, and strong returns often follow the worst returns. But often, investors think they can outsmart the market, which they may later regret. As the saying goes, 'Good things come to those who wait.' While markets can always have a bad day, week, month or even a bad year, history suggests investors are much less likely to suffer losses over longer periods. Investors should look to keep a long-term perspective.

### Reducing risks while potentially improving returns

The last decade has been a volatile and tumultuous ride for investors, with natural disasters, geopolitical conflicts and a major financial crisis. Among the most important tools available to investors is diversification. Diversification allows an investor to reduce investment risks while potentially improving investment returns.

A diversified portfolio is typically split across a range of different asset classes, with exposure to different companies, industries and types of market from different regions around the world. In a diversified portfolio, the assets don't correlate with each other. When one rises, the other falls. It lowers overall risk because, no matter what the economy does, some asset classes will benefit. ◄

### Looking to invest for income, growth or both?

Your money lets you do the things you enjoy and take care of the people you love. Besides saving, investing gives potential to grow your money and provide finances well into the future. Whether you are looking to invest for income, growth or both, we can provide the quality advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals. You can call us to arrange an appointment or ask a question.

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PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

# Reach your financial goals

*Helping you realise your retirement vision*

**WE'VE NOW ENTERED A NEW AGE OF RETIREMENT PLANNING WITH THE INTRODUCTION OF PENSION FREEDOMS.** YOUR RETIREMENT IS LIKELY TO BE THE MOST IMPORTANT TIME IN YOUR LIFE YOU'LL EVER PLAN FOR - YOU COULD BE RETIRED FOR 20 YEARS OR MORE.

Thinking about pensions sooner rather than later can mean the difference between a comfortable retirement and struggling to make ends meet. Unfortunately, some people put off retirement planning when they are young because they think they've got time on their side. However, the earlier you start saving for your future, the bigger the pension pot you'll end up with when you're older.

### 7 pension tips for nurturing your nest egg in 2018

Research shows we're more likely to achieve our financial goals if we write them down and start with a clear plan of action. Work out what financial goals you want to achieve, then break them down into realistic steps that will lead you there. We've provided seven pension tips for you to consider to keep your retirement plans on track at the start of the New Year.

**1. Consider consolidating your pension pots –** while it might be hard to keep track of pensions with job changes, the Government offers a free Pension Tracing Service. Bringing your pension pots together may help you manage them, but take care to understand the benefits associated with the existing contract, along with any potential risks/disadvantages of transferring the funds – and always seek professional financial advice to see if it's suitable for you.

**2. Make use of your tax reliefs on pension contributions –** when you are able to do this, particularly at higher rates, this can be beneficial. The Government may well revisit pension tax relief post-Brexit to help 'balance the books'.

**3. Maximise your workplace pension contributions –** if your employer pays a contribution that is linked to your contribution, see if it's affordable for you to pay the maximum in order to receive your employer's maximum.

**4. Invest for the long term –** there have been various moments of uncertainty in the markets – think back to the 'crash' of 1987 which now looks like a 'blip'. Keep an open mind, and don't panic or have knee-jerk reactions. You must remember that when investing in the stock markets, it is inevitable that there will be times of volatility and you can weather the storm.

**5. Review your State Pension entitlement –** given so many changes, it is worth keeping your finger on the pulse and looking at what you may need to do to top up to the maximum entitlement available.

**6. Review your expected expenditure in retirement –** it's key that you clearly establish 'essential' and 'discretionary' spending, so in poor market conditions you can always look to reduce income from pension funds if necessary to cut back on discretionary expenditure that can wait for another day.

**7. Ensure your income in retirement is set up as tax-efficiently as possible –** making full use of all available tax allowances/exemptions is crucial. Don't forget to look at how different tax wrappers can work for you.

### What does retirement mean to you?

From stopping work altogether to a slow and gradual reduction of commitments, retirement means different things to different people. Making sure you can sustain the level of income you need as you move away from full-time employment or your business interests is key to a long and happy retirement. To discuss your requirements, please contact us.

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

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

# Will you make provision for all those you hold dear?

*Getting your affairs in order and planning what you want to pass on to loved ones*

**WRITING A WILL MAY SEEM DAUNTING, AND WITH EVERYTHING ELSE WE SHOULD BE THINKING ABOUT IT BECOMES JUST ANOTHER CHORE ON THE TO-DO LIST.** IT'S ESPECIALLY IMPORTANT FOR COHABITATING COUPLES TO HAVE A WILL, AS THE SURVIVING PARTNER DOES NOT AUTOMATICALLY INHERIT ANY ESTATE OR POSSESSIONS LEFT BEHIND.

Getting your affairs in order and planning what you want to pass on to loved ones, whether it's while you're alive or after you've passed away, is really important. Not only does it mean that your wishes can be carried out but it can also help reduce the emotional and financial burden on loved ones at an already difficult time. We all lead such busy lives that it can be easy to put off estate planning, but it's best to take care of this sooner rather than later.

### No Will in place

But three in five adults (60%) don't have a Will in place, with a third (33%) not having thought about writing a Will, according to research from Royal London[1]. Surprisingly, the research also found that a quarter (26%) of those aged 55 and over have not written a Will. Of these, one in six (16%) over-55s with no Will have never even thought about writing one.

Cohabiting couples are less likely to have a Will, with three-quarters (77%) not having written one compared to those who are married or in a registered civil partnership (46%). Single adults (45%) and cohabiting couples (32%) are the least likely to have thought about writing a Will compared to those who are married or in a civil partnership (22%) and those who have separated/divorced (21%).

### Feeling more pressure

Adults with children feel more pressure to write a Will, with half (48%) saying they have not written a Will but want to write one in the near future. Three in five parents with children under 18 (58%) also haven't chosen guardians for their children in the event of their death.

Making or updating a Will provides the perfect time to talk to your family about inheritance matters. For instance, you can talk about the items you might like to pass on to them, as well as what they might spend an inheritance on. When people have these conversations, they often discover that they can help their loved ones financially now, rather waiting until they've passed away. As well as being able to see loved ones benefit from some money, this can also help from an Inheritance Tax perspective.

### Passing on your belongings

It's not just about wealth. Some people may not think they need a Will because they don't have very much money in the bank or because they don't feel old, but this isn't necessarily the case. You need to think about whom you want to pass your belongings on to, your home, car, jewellery and even your pets. It's important to put this information down in writing so your family and friends can honour your wishes once you've passed away.

Don't assume who will benefit. If someone dies in the UK without a valid Will, their property is shared out according to rules of intestacy, which means your estate can only be inherited by close family (spouse/registered civil partner, siblings, children, parents and aunts/uncles). So, unless you have a Will, intestacy rules could force an outcome that is completely contrary to your wishes.

### Writing a Will or redraft

Beware of the revoking rule. Wills are revoked when you marry, so even if you have written a Will to include your spouse or civil partner-to-be before your marriage, you'll need to renew it afterwards. This is also important if you have children from a previous marriage: although your new spouse would benefit from your estate through the intestacy rules, your children might not.

You may also want to write a Will or redraft your existing one if you are in the process of separating from or divorcing your partner, because if you die before your divorce is complete, your spouse or registered civil partner can still inherit your estate. ◂

### Making provision for all those we hold dear

Writing a Will is fundamental to the financial planning process. It may not be the most exciting of subjects, but it answers one of our most basic desires – to make financial provision for all those we hold dear. There are many things to consider when looking to protect your family and create an effective protection planning strategy. If you would like to find out more, please contact us.

**Source data:**

*[1]YouGov on behalf of Royal London surveyed 2,089 adults between 10 and 11 October 2017. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).*

# Sleepwalking into retirement

## *Lack of pension knowledge among UK adults*

**THE UK'S MIDDLE-AGED WORKERS COULD BE SLEEPWALKING INTO RETIREMENT POVERTY.** FOUR IN TEN PEOPLE AGED BETWEEN 40 AND 65 CANNOT ACCURATELY ESTIMATE THEIR TOTAL PENSION SAVINGS FOR RETIREMENT.

Just over a third of 60 to 65-year-olds who took part in a questionnaire by the JLT Employee Benefits research do not know the size of their retirement fund. Additionally, two thirds of 40 to 65-year-olds with pension savings of under £250,000 still believe their pension pot will end up paying out more than the UK State Pension.

### Benefit of employment

However, current estimations suggest that £250,000 of savings would actually provide less than £159.55 per week – the current full State Pension. Only 29% of participants in the survey said they received enough support at their workplace to manage pensions. Two thirds of recipients said they would welcome retirement planning as a benefit of employment.

So far, nearly nine million people have been automatically enrolled since the system was launched five years ago in 2012, with the figure expected to reach 11 million by 2018.

### Thought-provoking findings

Four out of five Britons are unhappy with the amount they are putting into their pension fund every month, while one in four people regret not starting to save for retirement earlier in life, according to research from Pension Geeks.

It is evident that there is a lack of pension knowledge among UK adults, with less than one in ten confident they have an in-depth understanding, according to the study. The research uncovered some thought-provoking findings on the state of pensions and pension awareness in the UK.

### Complicated to understand

Almost nine in ten think there is not enough information about pensions readily available to them, and 25% believe the information that is available is too complicated to understand.

The latest Scottish Widows Retirement Report has revealed that the number of people saving sufficiently for retirement has stalled at 56% for the third consecutive year, with almost a fifth of the UK adult population not saving at all – that is more than nine million people.

**Time to do the things you've always dreamed of doing**

Retirement can be the best part of your life – a time to do the things you've always dreamed of doing but never had the chance. Regardless of the life stage you have arrived at, it is important to receive expert and professional advice on your pension plans and requirements. You can call us to arrange an appointment or ask a question.

> Four out of five Britons are unhappy with the amount they are putting into their pension fund every month, while one in four people regret not starting to save for retirement earlier in life.

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# 'Sandwich' generation

*Not having enough money for retirement is the biggest concern*

**AVERAGE LIFE EXPECTANCY HAS GENERALLY BEEN INCREASING, AND FOR THE 'SANDWICH' GENERATION,** SAVING FOR THEIR RETIREMENT IS CLEARLY A BIG CONCERN – AND WITH PLANS TO CONTRIBUTE FINANCIALLY TO SUPPORT THEIR CHILDREN AND PARENTS, IT'S PERHAPS NO WONDER.

A survey by the Association of Investment Companies[1] of the sandwich generation aged 35–55 who have elderly parents and children and a minimum household income of £50k found that half (49%) said not having enough money for retirement was their biggest financial concern. This was followed by their children's school/university fees (36%) and not being able to help family members financially (23%).

## Saving for retirement

Three quarters (75%) of people interviewed said they had either a final salary, defined benefit pension or a defined contribution pension from their employer, and 47% said they had a personal defined contribution pension and/or a Self-Invested Personal Pension (SIPP) arranged individually. While having this pension provision, nearly half (48%) of people said they still expect any money they currently have saved outside their pension to be used for retirement.

Research revealed that, on average, the sandwich generation are planning to save £419,248 for retirement with one fifth (21%) of those surveyed saying they were planning on saving between £250,001 and £500,000 for their retirement. On average, men are planning to save over £100,000 more than women for their retirement – £463,922 in comparison to £361,329. Interestingly, a quarter (25%) said they didn't know how much they were planning to save.

## Financial contributions

Unfortunately, it's not just their own retirement that the sandwich generation are concerned about when it comes to their finances. Nearly a third (31%) of people said they were currently contributing financially to support their child/children after they finished school, and a further 46% were planning to contribute. The average amount the sandwich generation expect to contribute is £40,088. Interestingly though, almost half (46%) think their children will be better off financially when they reach their age.

While half (52%) of those surveyed aren't planning or currently contributing financially to help their parents or parents-in-law, those who are (34%) said the average amount they expect to contribute is £18,378, which would go towards bills or expenses, medical expenses and/or a retirement home.

## Saving habits

When it came to their saving habits, an overwhelming number (66%) said they use a cash savings account and/or a Cash ISA (59%) to save money, with a Stocks & Shares ISA the third most popular choice (35%).

While most (50%) expect any savings (excluding pension savings) they have to be used for 'a rainy day', retirement (48%) was the second most popular option followed by a holiday (42%) and property (32%). Of those who have money saved, most started saving in their 20s and 30s, but a quarter (25%) have been saving since childhood.

## Financial market

When asked what they would invest in if they had money to put aside for ten years and could only invest in one thing, property came out on top (44%), followed by stocks and shares (27%). 49% of people said they felt confident about investing in the financial market, but men are considerably more confident about this than women (60% versus 36%). ◄

### Personalised approach to assessing your needs

We'll help you plan ahead for your retirement, allowing you to focus on what's most important to you. Retirement planning isn't just about building a portfolio. We take a personalised approach to assessing your needs, which allows us to provide you with long-term bespoke solutions. To review your situation, please contact us.

**Source data:**

*[1] The 'sandwich' generation research was conducted by Opinium from 22 August to 5 September 2017 among 2,011 UK parents aged 35–55, who have a minimum household income of £50k, at least one parent/parent-in-law living and who have or would consider having a Stocks & Shares ISA.*

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# ISA returns of the year

*Taking control over where your money is invested tax-efficiently*

**A NEW TAX YEAR IS NEARLY UPON US – AND THAT MEANS, FOR ALL DILIGENT SAVERS AND INVESTORS,** YOU SHOULD MAKE SURE THAT YOU TAKE FULL ADVANTAGE OF YOUR CURRENT INDIVIDUAL SAVINGS ACCOUNT (ISA) TAX-EFFICIENT ALLOWANCE.

An ISA is a tax-efficient investment wrapper in which you can hold a range of investments, including bonds, equities, property, multi-asset funds and even cash, giving you control over where your money is invested. It is important to remember that an ISA is just a way of sheltering your money from tax. It's not an investment in its own right.

You don't even have to declare any investments held in ISAs on your tax return. This may not seem like much, but if you have to file an annual tax return, you'll know that any way of simplifying your financial administration can be very helpful.

### ISA limits

This tax year, you can invest up to £20,000 in ISAs. The 2017/18 tax year runs from 6 April 2017 to 5 April 2018. The ISA allowance can be split as desired between a Stocks & Shares ISA, a Cash ISA, a Lifetime ISA (maximum £4,000) and an Innovative Finance ISA, providing you stay within the overall £20,000 limit.

The annual ISA allowance is per individual and is the maximum amount every person can save into any type of ISA over the course of the tax year. This means you and your spouse or registered civil partner can put up to £40,000 between you into ISAs this tax year.

### Protected from the taxman

When you invest through an ISA, your money is protected from the taxman, so you don't have to pay personal income tax on any interest or dividends you receive from your investments. While the UK Government has introduced the Personal Savings Allowance and Dividend Allowance, holding your investment through an ISA will save you from monitoring and managing a potential tax burden.

The tax-efficient nature of an ISA is particularly useful in retirement, as it means you can hold your money in bond funds and generate a tax-efficient income on top of the payments you receive from your pension. It is also very beneficial if you want to generate long-term capital growth from your funds but prefer to take a cautious approach to investing.

### Annual exemption threshold

When your investments are held in ISAs, you don't have to pay any Capital Gains Tax (CGT) on their growth. Of course, this may seem like a minimal benefit if your profits are well within the annual exemption threshold for CGT, but it's worth remembering that stocks and shares investments are for the long term. If your funds perform particularly well for several years, holding them in ISAs will mean you have full access to your money at all times, without having to worry about managing a potential tax burden.

### Consolidate your investments

If you feel that your existing ISA provider is no longer appropriate for your needs or you are looking to consolidate your investments under one roof, with an ISA you are free to transfer your investment between providers to suit your individual needs.

However, your current provider may apply a charge when you transfer your investment. While your investment is being transferred, it may be out of the market for a short period of time and will not lose or gain in value.

### Control over retirement income

ISAs can give you control over your retirement income, as you can take as much money out as you like, whenever you want. Savings in an ISA and withdrawals from an ISA are free from personal taxation.

In contrast, if you are a pension saver, you can generally also take out as much money as you like, whenever you want from age 55. However, while 25% of the pension pot can be withdrawn tax-free, further withdrawals are at the applicable marginal rate of Income Tax.

### Inheriting an ISA allowance

The spouse or registered civil partner of ISA holders who have died have the ability to inherit their ISA allowance. The Inheritance ISA or 'Additional Permitted Subscription' (APS) rules allow you to use your partner's ISA allowance for up to three years from the date of their death or 180 days after the completion of the administration of the estate, if longer. The spouse or registered civil partner can then inherit their ISA allowance which will be equal to the amount held by the spouse or registered civil partner in their ISAs.

### ISA options:

**Cash ISAs:** where you either have easy access with no charge for withdrawals but the interest rate is variable, so it could go up and down, or, fixed with no withdrawals allowed but which can be closed early or transferred to another ISA subject to loss of interest. First-time buyers can choose to save up to £200 a month in a Help to Buy: ISA instead.

**Stocks & Shares ISAs:** these are a tax-efficient way of investing if you're looking to put your money away for the medium to long-term (at least five to ten years). Unlike Cash ISAs, the value of your investment can go down as well as up and you may get back less than you originally invested.

**Junior ISAs:** a tax-efficient way to save for your child and which can be accessed by the child when they reach 18 years of age. The annual Junior ISA allowance for the 2017/18 tax year is £4,128 and can be invested in a Junior Cash ISA, a Junior Stocks & Shares ISA, or a combination of both, providing you don't exceed the annual limit.

**Innovative Finance ISAs:** a tax-efficient way of participating in peer-to-peer lending, using your savings without paying any personal tax on the income received. The value of your investment can go down as well as up, and you may get back less than you originally invested. These are generally considered higher-risk investments and may not be considered suitable for all types of investors.

**Lifetime ISAs:** you can use a Lifetime ISA to buy your first home or save for later life. You must be 18 or over but under 40 to open a Lifetime ISA. Up to £4,000 can be put in 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. ◂

#### Helping you grow your wealth

We are committed to helping you build a goal-based financial plan that reflects what's most important to you and your future plans. When it comes to building an investment portfolio, you may have specific goals that reflect your risk tolerance, time horizon or asset class preferences. Whatever your needs, we can help you develop an investment strategy that works for you. You can call us to arrange an appointment or ask a question.

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> "The annual tax-efficient ISA allowance is per individual. This means you and your spouse or registered civil partner can put up to £40,000 between you into ISAs this tax year."

# Do you have a financial back-up plan this year?

*Be prepared if life throws something unexpected your way*

**UNFORESEEN LIFE EVENTS AND CIRCUMSTANCES CAN POTENTIALLY IMPACT YOUR FINANCES IN A NUMBER OF WAYS.** HUNDREDS OF THOUSANDS OF PEOPLE ARE DIAGNOSED WITH CANCER EACH YEAR IN THE UK AND IT IS BECOMING MORE COMMON AMONG THOSE OF WORKING AGE.


Cancer treatment can cause many to have to work reduced hours or stop working altogether. Sufferers should be able to make getting better their main priority without worrying about job security and financial stability. At a time when welfare reform is resulting in significant changes to benefits such as child and working tax credits, income-based job seeker's allowance, and income support and housing benefits for those renting and with a mortgage – all of which are being replaced by Universal Credit – families need to do all they can to protect themselves in the event of the unexpected happening.

### Heads in the sand

But fewer than one in ten (8%) people in the UK have critical illness insurance, and just a third (34%) have life cover, with many people appearing to bury their heads in the sand when it comes to having a financial back-up plan should serious illness strike, according to research from Scottish Widows[1].

One in five (21%) people in the UK admit their household would not be financially secure for any length of time if it lost its main income as a result of serious illness. And almost half (47%) admit that their savings would last just six months or less if they became unable to work, raising concerns over the nation's financial resilience should the unexpected happen.

### Incidence rate increase

Lung cancer is the third most common cancer in the UK, accounting for 13% of all new cases, and 130 new cases being diagnosed every day. It's the second most common cancer in both males and females, with 1 in 13 men and 1 in 17 women being diagnosed with the illness during their lifetime. Pancreatic cancer is the eleventh most common cancer in the UK, with 26 cases diagnosed every day, with incidence rates having increased by a tenth over the last decade[2].

The research also reveals that a lack of planning is leaving many UK households in a vulnerable position. When asked how they'd cope should they or their partner not be able to work for six months, a quarter (24%) of people said they'd rely only on state benefits, and two fifths said they'd rely on savings.

### Critical illness impact

If you were to become seriously ill, would your loved ones struggle to keep up with household bills and the mortgage? It's essential to make sure that you and your family are financially protected. If your family relies on you financially, you should consider this protection to help cover against the impact a critical illness would have.

You would receive a cash sum if you are diagnosed with one of the many specified critical illnesses covered during the length of a policy. The pay out could help to cover things such as child care costs and household bills. Or you may want to use the pay out to help make adjustments to your home or lifestyle if needed, or to pay for specialist medical treatment – or even to take that trip of a lifetime to help you recover. ◄

**Do you have the appropriate provision in place to protect your finances?**

An alarming number of families could face a significant financial struggle in the event of an unexpected loss of income due to serious illness or death. If the unexpected happened to you, it's crucial to have the appropriate provision in place to protect your finances and provide the peace of mind that there's a safety net in place. To discuss your situation, please contact us.

**Source data:**

*[1] Scottish Widows' protection research is based on a survey carried out online by Opinium, who interviewed a total of 5,077 adults in the UK between 16 and 27 March 2017.*

*[2] Cancer Research UK*

THIS IS NOT A SAVINGS OR INVESTMENT PRODUCT AND HAS NO CASH VALUE UNLESS A VALID CLAIM IS MADE. ADVANCES IN MEDICINE AND TECHNOLOGY MEAN THAT TRADITIONAL VIEWS OF CRITICAL ILLNESSES ARE CONSTANTLY CHANGING.

THE POLICY MAY NOT COVER ALL THE DEFINITIONS OF A CRITICAL ILLNESS. FOR DEFINITIONS, PLEASE REFER TO THE KEY FEATURES AND POLICY DOCUMENT.

# Planning the future you want

*Pension freedoms bring optimism and adventure to retirement*

**WILL I EVER SLOW DOWN? DO I HAVE THE RIGHT PLANS IN PLACE?** RETIREMENT IS A CHANCE TO DO MORE OF WHAT YOU ENJOY. FIGURES RELEASED AS PART OF LV='S TENTH ANNUAL STATE OF RETIREMENT REPORT[1] INDICATE THAT, FAR FROM WINDING DOWN, RETIREES ARE MAKING THE MOST OF THEIR TIME, WITH SIGNS THAT PENSION FREEDOMS HAVE MADE PEOPLE EVEN MORE LIKELY TO FEEL THIS WAY. HALF (49%) OF RETIREES NOW SAY THEY VIEW THEIR POST-WORK YEARS AS AN EXCITING PHASE OF LIFE, WITH MANY USING THEIR FREE TIME TO LEARN, SEE AND EXPERIENCE NEW THINGS.

Nearly two thirds (64%) of people who retired since April 2015 say stopping work has opened up new opportunities, with one in five (20%) having decided to learn new skills and more than half (55%) devoting more time to their hobbies. In addition, those who retired since the pension freedoms are being more adventurous with their holidays. Nearly half (46%) are holidaying in places they've never been to before, compared to 39% of people who retired before the freedoms were introduced, with the Caribbean (18% vs 11%), Australia (15% vs 6%) and cruises (23% vs 21%) popular destinations.

### Viewing retirement more positively

The report finds this trend of viewing retirement more positively is set to continue, with future generations similarly optimistic. Two in five (42%) of those not yet retired think retirement will be exciting, and three in five (60%) believe they will have the opportunity to do more of what they enjoy. In terms of holidays, younger age groups are hoping to visit more far-flung locations – with 18-24-year-olds aspiring to travel as far as Asia (26% versus 11% of 45-54-year-olds), Canada (26% versus 17%) and New Zealand (25% versus 17%).

### Working for an additional four years and two months

However, despite high hopes for enjoying their retirement years, many of those under 65 believe they will be working past this point, with people expecting to work for an additional four years and two months on average. In fact, one in ten (10%) expect to continue working for more than ten years after retirement, with this doubling to one in five (19%) for those between 35 and 44 years old. This could be down to a lack of planning as more than three in five (62%) of 35-44-year-olds don't know how much is in their pension pot and, of those who do, two thirds (66%) have less than £50,000.

### Living how you want once you stop working

One of the best ways to maximise retirement income and ensure you can live how you want once you stop working is to obtain professional financial advice. Yet only one in ten (11%) have obtained advice about their retirement, and 70% have no plans to do so. Worryingly, this rises to nearly eight in ten (79%) for over-55s.

**Take control of your pensions and investments**

We understand that professional advice on financial matters is invaluable to creating a durable retirement plan for the future. We will help you to set goals, take control of your pensions and investments, and adapt to changing circumstances. To review your situation, please speak to us.

**Source data:**

*The full State of Retirement report can be found at: lv.com/stateofretirement.*

*The Work & Pensions Committee has launched a new inquiry into whether and how far the pension freedom and choice reforms are achieving their objectives https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2017/pension-freedoms-launch-17-19/*

*Methodology for consumer survey: Opinium, on behalf of LV=, conducted online interviews with 1,521 UK adults between 15 and 19 September 2017. Data has been weighted to reflect a nationally representative audience.*

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

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

THE POLICY MAY NOT COVER ALL THE DEFINITIONS OF A CRITICAL ILLNESS. FOR DEFINITIONS, PLEASE REFER TO THE KEY FEATURES AND POLICY DOCUMENT.



# Pensions in divorce

*Preparing for an independent future should a relationship break down*

**WHEN DISPUTES ARISE WITHIN FAMILIES, EMOTIONS RUN HIGH AND RASH DECISIONS ARE MADE.** THIS IS WHY DIVORCE IS AN ARENA FRAUGHT WITH ACRIMONY. BUT SEVEN IN TEN COUPLES DON'T CONSIDER PENSIONS DURING DIVORCE PROCEEDINGS, LEAVING SOME WOMEN SHORT-CHANGED BY £5 BILLION[1] EVERY YEAR. RESEARCH SHOWS THAT MORE THAN HALF OF MARRIED PEOPLE (56%) WOULD FIGHT FOR A FAIR SHARE OF ANY JOINTLY OWNED PROPERTY, AND 36% WOULD WANT TO SPLIT THEIR COMBINED SAVINGS.

Yet fewer than one in ten (9%) claim they want a fair share of pensions, despite the average married couple's retirement pot totalling £132k – that's more than five times the average UK salary (£26k)[2]. In fact, more married people would be concerned about losing a pet during a settlement than sharing a pension (13% vs 9%).

### Inadequate savings and preparation

Overall, women are less well prepared for retirement than men, with 52% saving adequately for the future compared with 59% respectively. This figure falls to below half (49%) for divorced women, with nearly a quarter (24%) saying they are unable to save anything at all into a pension, twice the rate of divorced men (12%) saving nothing. Furthermore, two fifths of divorced women (40%) say their retirement prospects became worse as a result of the split, compared with just 19% of men.

Even if pensions are discussed during a divorce settlement, women are still missing out – 16% lost access to any pension pot when they split with their partner, and 10% were left relying completely on the State Pension.

### Confusion around pensions in divorce

Almost half of women (48%) have no idea what happens to pensions when a couple gets divorced, which may explain why so few couples consider them as part of a settlement. A fifth (22%) presume each partner keeps their own pension, and 15% believe they are split 50/50, no matter what the circumstances.

In reality, pensions can be dealt with in a number of ways on divorce. The starting point should always be to find out what pensions there are, what are they worth and how they fit with any other assets such as property, savings and each spouse's needs for a home and income.

### Getting a fair overall outcome on a divorce

If an adjustment needs to be made to get a fair overall outcome on a divorce, this can be done by one person keeping their pension, but the other getting more of the other assets (called 'offsetting'); or the court can make a pension sharing order giving a percentage of one person's pension to the other (which could be 50/50 but often won't be); or a combination of the two may be needed. However, pension sharing orders are made in just 11% of divorces[3].

Relationship breakdowns can leave people really vulnerable. It is important that everyone – whether single, married or divorced – takes steps to understand their finances and prepare for their independent future should a relationship break down. Pension sharing was introduced almost two decades ago, but it is clear that all too often in a divorce, pensions are still not being taken into account properly if at all. ◄

**Plan for your future, married, divorced or otherwise**

While some pensions are relatively straightforward, others (for example, public sector schemes) are complex. It is important that everyone – whether single, married or divorced – takes steps to understand their finances and prepare for their independent future should a relationship break down. There is no substitute for expert legal and professional financial advice and the costs involved should be considered an investment. To find out more, please contact us.

**Source data:**

*[1] The research was carried out online for Scottish Widows by YouGov across a total of 5,314 nationally representative adults in April 2017. Additional research was carried out by Opinium across a total of 5,000 nationally representative adults in September 2017.*

*[2] ONS Earnings and working hours https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours*

*[3] Based on Ministry of Justice figures showing there were 11,503 'pension sharing orders' in the year to March 2017 and ONS data that shows there were 107,071 divorces in 2016.*

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