LIFESTYLE

ISSUE 8

JANUARY – APRIL 2018

TURBOCHARGE YOUR PENSION

Will you be able to afford the retirement lifestyle you want?

PROTECT THE THINGS THAT MEAN THE MOST TO YOU

Cohabiting families risking their family's financial future

MARKET SENTIMENT

Reaching your long-term investment goals

ALSO INSIDE THIS ISSUE

YOUR WEALTH, YOUR LEGACY
Families shying away from difficult conversations

SAVINGS BLACK HOLE
Inflation set to erode Britain's £60 billion cash savings

BUY-TO-LET
Boom to be sustained by pension freedoms

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Your Finances Under Control

WELCOME TO *LIFESTYLE*

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.

Inside this issue, we talk about estate planning, which is an extremely emotional subject as people generally don't like talking about money or death. On page XX, we comment on new research that shows some people would like to talk about this subject but haven't found the right time or just don't know where to start. This is worrying considering Inheritance Tax receipts increased by 22.9% in the first quarter of this tax year, according to data from the Office for National Statistics.

If you're still working, what kind of life would you like to lead when you've said goodbye to the 9-to-5? On page XX, we look at the importance of saving for retirement and how to turbocharge your pension if you want the financial freedom to enjoy your later years. After all, you'll still want to do all the things you love now – and probably a few others too.

It is impossible for investors to predict the future. Short-term losses can be unsettling, but holding steady through the ups and downs is the best way to reach your long-term investment goals. On page XX, we look at how a key to successful investing is to remain focused on your long-term objectives and not let short-term trends distract you. Holding onto your investments when times get tough is a proven strategy for staying on track.

We strive to provide stories that are informative and inspire you to look at your financial plans in a proactive way. To discuss any of the articles featured in this issue, please contact a member of the Ludlow Wealth advisory team – telephone: 01704 500324, email: info@ludco.co.uk or visit our website: www.ludco.co.uk.

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05 TURBOCHARGE YOUR PENSION

10

06

09

INSIDE THIS ISSUE

LUDLOW

Your Finances Under Control

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TURBOCHARGE **YOUR PENSION**

Will you be able to afford the retirement lifestyle you want?

IF YOU'RE STILL WORKING, WHAT KIND OF LIFE WOULD YOU LIKE TO LEAD WHEN YOU'VE SAID GOODBYE TO THE 9-TO-5? SAVING FOR YOUR RETIREMENT IS ESSENTIAL IF YOU WANT THE FINANCIAL FREEDOM TO ENJOY YOUR LATER YEARS. AFTER ALL, YOU'LL STILL WANT TO DO ALL THE THINGS YOU LOVE NOW – AND PROBABLY A FEW OTHERS TOO.

With that in mind, it's a good idea to consider how big an income you'll actually need. But at the heart of today's challenge is rising longevity. UK life expectancy continues to rise, and a longer retirement means your savings will have to stretch further.

Pensions and Individual Savings Accounts are popular ways of saving tax-efficiently, but they are very different from each other – particularly in how they are taxed.

PENSIONS – CRUCIAL, BUT CURTAILED

Pensions should play an important part in everyone's long-term financial planning, so ensure that you make the most of any employer's contributions. Your own contributions are typically also tax-free on the way in, making them a very tax-efficient way to save.

However, when planning long-term savings, savers with big aspirations for their retirement need to bear in mind the lifetime allowance and annual allowance.

Lifetime allowance – if your pension pot is valued above £1 million (2017/18), a tax charge can apply on accessing the monies which exceed this threshold. The tax rate on savings above your lifetime allowance will be either 55% if you take it as a lump sum, or 25% otherwise. The pension funds will also be tested against the lifetime allowance at age 75.

Annual allowance – if you contribute more than a given amount to your pension pot in any year, you usually have to pay tax on the extra amount. This cap is currently £40,000 a year for most people, but is lower for higher earners. The annual allowance is reduced by £1 for every £2 earned above £150,000. For anyone earning £210,000 or more, the allowance is £10,000 a year.

These allowances may sound higher than they are, considering that both include an employer's contribution. Remember that it is the value of your pension pot – not the amount that you contributed – that counts towards your lifetime allowance, and so investment growth over time could push you over this threshold.

Also bear in mind that all of your pension income – including from a State Pension – is normally taxed like other income. This means that, even in retirement, annual earnings above £45,000 are subject to the higher rate of tax – currently 40%.

WAYS TO BOOST YOUR PENSION IN THE RUN-UP TO RETIREMENT

Even if retirement isn't far away, there are steps you can take to increase your retirement income.

1. MAXIMISE ANY CONTRIBUTIONS FROM YOUR EMPLOYER

If your employer contributes to your pension plan, they might pay in a bit more if you do too. Some employers increase the amount they contribute when you increase your contributions (which may only be up to a certain limit).

If you put an extra percent or two of your salary into your pension plan, they might pay in more as well, and in the long run you could end up better off. Ask your employer for details of whether they contribute to your pension plan, and by how much.

2. INCREASE YOUR REGULAR PAYMENTS WHENEVER YOU CAN

Another way of boosting your pension pot is to increase your monthly payments whenever you get the chance. For example, if you receive a pay rise, why not arrange to pay some of it into your pension plan? You can also take this approach any time a regular expenditure comes to an end. If you pay off a loan, for instance, you could pay the extra money into your pension plan.

Small, regular increases like this can make a big difference to what you eventually receive when you retire. Over the long term, your pension plan will have a better opportunity to grow.

3. PAY IN A LUMP SUM

In addition to making regular payments, you could also pay lump sums into your pension plan. And as with any personal payments you make into your plan, the Government will top it up with tax relief, up to a certain limit.

If you received a bonus from work and paid a personal contribution of £10,000 of it into your pension plan, the Government would add £2,500 in tax relief. The tax treatment of pensions depends on individual circumstances and may be subject to change.

Please note that contributions being paid net of basic-rate tax relate only to personal pension contributions.

4. REVIEW YOUR INVESTMENT CHOICES

Where your pension plan is invested can have a considerable effect on what you'll eventually receive when you retire. You should regularly review how it's invested. As you get older, it may be appropriate to consider changing your investment strategy to reduce investment risk as retirement draws closer.

LOOKING BEYOND PENSIONS

Given the limits we've mentioned on how much you can put in and take out of your pension without paying potentially significant amounts of tax, it might be worth considering how to complement it with other savings and investments.

An important tool is the Individual Savings Account (or 'ISA') which can be used to hold any combination of cash savings and investments in stocks and shares. In the current 2017/18 tax year, up to £20,000 can be contributed towards your ISA.

Unlike a pension, while you will have paid tax on money that you save or invest into an ISA, any income that you receive and any capital gains from a rise in the value of your investments will be free from personal taxation, irrespective of any other earnings you have.

Your ISA should become part of your investment strategy, but it's important to remember that tax rules may change in the future, and the tax advantages of investing through an ISA will also depend on your personal circumstances.

Recent changes to pension rules mean you can access up to 25% of your pension pots as a tax-free lump sum from the age of 55.

While you can choose how to spend your Pension Commencement Lump Sum – better known as 'tax-free cash' – you should remember that any spending now is likely to reduce your potential income in retirement.

Depending on your circumstances, it may be prudent to consider using this lump sum to pay off any debts or perhaps reinvest it for your future. If you choose to save or invest through an ISA, remember that any gains or income will themselves be tax-free – unlike in a pension.

In the current economic and political climate, looking beyond pensions to put your money to work could give you more choices in retirement. The right solution will be unique to your goals and needs, but there are a number of investment strategies that could help grow your money in time for life after work. ■

TALK TO US SOONER RATHER THAN LATER

Professional financial advice is important before making decisions around pension saving strategy. Whether your retirement is still some time away or it is fast approaching, it's important to get a clear view of how close you are to achieving your aims. If you don't think you'll have enough money when you retire, there are a number of approaches you could take to build a bigger pot, but you'll need to talk to us sooner rather than later. Please contact us – we look forward to hearing from you.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET THE ORIGINAL AMOUNT INVESTED.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. FLUCTUATIONS IN FUND VALUE CAN IMPACT THE PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME MAY ALSO BE IMPACTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

LEVELS, BASES OF AND RELIEFS FROM TAXATION MAY BE SUBJECT TO CHANGE, AND THEIR VALUE DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF THE INVESTOR.

MARKET SENTIMENT

Reaching your long-term investment goals

IT IS IMPOSSIBLE FOR INVESTORS TO PREDICT THE FUTURE. SHORT-TERM LOSSES CAN BE UNSETTLING, BUT HOLDING STEADY THROUGH THE UPS AND DOWNS IS THE BEST WAY TO REACH YOUR LONG-TERM INVESTMENT GOALS.

A key to successful investing is to remain focused on your long-term objectives and not let short-term trends distract you. Holding onto your investments when times get tough is a proven strategy for staying on track.

BEST CHANCE OF EARNING A RETURN

Volatility in the market is normal, and feeling uneasy about a lower portfolio value is normal too. If you want to give your investments the best chance of earning a return, then it's a good idea to cultivate the art of patience. The best returns tend to come from sticking with a long-term commitment to your investments.

The longer you're prepared to stay invested, the greater the chance your investments will yield positive returns. That means holding your investments for no less than five years, but preferably much longer. During any long-term investment period, it is vital not to be distracted by the daily performance of individual investments. Instead, stay focused on the bigger picture.

FOCUSING ON LONG-TERM INVESTMENT GOALS

The stock market recovery since the financial crisis over the previous decade is an example of one case where focusing on long-term investment goals and avoiding knee-jerk reactions in response to the impact of any event, whether political or economic, worked well.

Maintaining a long-term view of at least five years (but preferably longer) may also help you resist the temptation to attempt to time the market. Typically, the longer you are prepared to stay invested in the stock market, the greater the chance of your investments producing positive returns. Selling your investments when markets take a downturn means you are turning paper losses into realised ones.

IN IT FOR THE LONG TERM

Success in the stock market is all about time and patience. However, it's understandable that when you put your money into the market, you will be tempted to check up on how your investments are performing on a regular basis.

Seeing investment prices fall, sometimes with alarming speed, can be enough to spook even the most experienced of investors. But remember that the reasons why you identified a particular fund or share as a sound investment in the first place should hopefully not have changed. The fall could just be down to market conditions as much as anything the individual company or fund manager has done, and in many

cases, given enough time, investments should hopefully recover their value.

DEVELOPING A BUY-AND-HOLD STRATEGY FOR THE LONG TERM

Whatever happens in the markets, in all probability your reasons for investing won't have changed. For example, your aim may still be to cover education costs for your children or grandchildren, or saving for retirement. A buy-and-hold investment strategy is likely to serve you best for these long-term goals.

Bear in mind, too, the benefits of so-called 'pound cost averaging' during periods of market volatility. Essentially, if you are investing on a regular basis, your contributions will buy more shares when prices are low and less when they are expensive. Over the long run, this should help smooth out your returns, though there is no guarantee of this.

WHEN THE TIME IS RIGHT, REBALANCE FOR STRONGER DIVERSIFICATION

For all investors, there will come a time when the portfolio needs to be rebalanced. A major reason for a realignment is when the actual allocation of your assets – be that shares, government bonds, corporate bonds or cash – no longer matches your risk profile. Alternatively, it may be because your investment horizons have shortened. Perhaps, for example, your retirement date is getting closer. These are solid reasons for selling some assets and buying new ones to keep your investments appropriately diversified.

It may also be tempting to spend any income generated by your investments, but if you don't need it in the short term, it makes sense to reinvest it back into your portfolio. When you reinvest dividends, you can dramatically increase your annual returns and total wealth. When you invest in companies that pay out some of their income in the form of dividends, you should reinvest the dividends to maximise returns until it comes time to let your dividend stocks be part of your spendable income. ■

GETTING ADVICE ON INVESTING

Whether you're an experienced investor or just starting out, we can discuss the different investment options to help you make the most of your money. To review your situation, please contact us.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

YOUR WEALTH, **YOUR LEGACY**

Families shying away from difficult conversations

IF YOU HAVE SIGNIFICANT ASSETS, YOU MAY BE WONDERING WHETHER INHERITANCE TAX (IHT) AFFECTS YOU. WORRYINGLY, SOME FAMILIES APPEAR TO BE SHYING AWAY FROM DIFFICULT CONVERSATIONS, AS ALMOST HALF (47%) OF UK ADULTS SAY THEY HAVE NEVER DISCUSSED INHERITANCE MATTERS, ACCORDING TO NEW RESEARCH[1].

If you have significant assets, you may be wondering whether Inheritance Tax (IHT) affects you. Worryingly, some families appear to be shying away from difficult conversations, as almost half (47%) of UK adults say they have never discussed inheritance matters, according to new research[1].

IHT receipts increased by 22.9% in the first quarter of this tax year, according to data from the Office for National Statistics. The figures show that more than £2 billion has been taken from people's estates in IHT since March.

EXTREMELY EMOTIONAL SUBJECT

Talking about estate planning is an extremely emotional subject, as people generally don't like talking about money or death. However, the research shows that around one in ten people would like to talk about it but haven't found the right time, and some people just don't know where to start (7%).

When someone dies, the value of their estate becomes liable for IHT. Everyone is entitled to pass on assets of up to £325,000 IHT-free. This is called the 'nil-rate band'. It hasn't changed since 2009 and will remain frozen until 2021. Any excess above £325,000 is taxed at 40%.

RESIDENCE NIL-RATE BAND

The new £100,000 residence nil-rate band was introduced in April 2017. It will increase in steps to £175,000 in April 2020, so married couples or registered civil partners with children will be able to pass on up to £1 million IHT-free. The residence nil rate band is only available when passing on the family home, or the value from the sale of it,

to a direct descendent, so it is important to consider structuring your estate to make the most of these allowances.

The research of 4,000 UK adults shows that a quarter (26%) of people say they haven't discussed the subject with loved ones because they're not old, so it's not a priority. However, age isn't the only factor preventing people from talking about inheritance, as one in seven (14%) say they don't like talking about death, and one in ten (11%) say they avoid it because it's a morbid subject.

TALKING TO LOVED ONES

While more than a third (36%) of people say they don't feel comfortable talking about their legacy, there are some life events that may prompt people to talk to loved ones about this important subject, such as a health scare (52%), a near-death experience (46%) and getting older (46%).

There are also some people who hold the key to unlocking inheritance conversations. After their partner or spouse (32%), people feel most comfortable talking to their mum (8%) or a financial adviser (8%) in the first instance.

PASSING ON WEALTH

Of those who have broached the subject, most (36%) have talked about passing on wealth when they die, a quarter (26%) have discussed Will writing, and one in five (18%) have discussed passing on personal items such as jewellery and photos. One in ten (10%) say they have talked about which belongings they want to give to loved ones while alive.

The research suggests that as people live longer and have healthier lives, many may be torn between the desire to help loved ones while also maintaining their own financial independence. Those who have a plan estimate that 65% of their wealth will be needed to cover their 'cost of living', leaving them able to pass on a quarter (25%) to loved ones in a Will and to share 10% with their family as a 'living legacy' while they are alive.

RETIREMENT OR LATER-LIFE CARE

Gifting wealth – whether it is money, property or family heirlooms – is important to Britons, with half (45%) hoping to pass on a legacy to loved ones. The research shows that the most common reason over-50s choose to pass on wealth after they have died is because they are worried their loved ones won't have enough money to fund retirement or later-life care (52%). Other reasons include wanting to help family members even if they're not here to see them receive it (47%), and leaving younger family members something to remember them by (26%).

Those over 50 opting for a living legacy are motivated by the thought of being around to watch loved ones benefit from their wealth (49%) and thinking that younger family members need the money more than they do (23%). One in eight (12%) also see the financial benefits of gifting money while they're alive and plan to do so for tax reasons.

PROVIDING FINANCIAL SUPPORT

In fact, more people are stepping in and providing financial support to family members this year, compared to last year. For instance, 59% intend to fund family weddings and deposits for first homes in 2017, compared to 52% of people in 2016[2].

5 CONVERSATIONAL TOPICS ABOUT INHERITANCE TO HAVE WITH YOUR LOVED ONES

1. THE IMPORTANCE OF AN UP-TO-DATE WILL

When you are making a Will, this is a good time to talk to your family about your wishes. The research found just four in ten (40%) of over-55s have an up-to-date and valid Will.

2. TAKE ADVANTAGE OF THE GIFT ALLOWANCE

You can give away £3,000 each year, and this will not be subject to IHT. In addition, parents can gift £5,000 to each child as a wedding gift, while grandparents can give £2,500. However, the research shows one in three people don't know how much you can gift each year without having to pay IHT.

Gifting money regularly throughout the year can be a great way to financially help loved ones, and it can also reduce your IHT liability. Some people will find it hard asking for money, so try and speak to your children and grandchildren to find out if you can help them with something specific, such as a new car or school fees.

3. LET LIFE EVENTS HELP YOU START A CONVERSATION

The research shows that some life events, such as a health scare, could prompt people to talk to their loved ones about inheritance matters. However, there are some positive events, like a birth in the family or getting married, that can also make people evaluate their plans. Use these opportunities as a way of talking to relatives about how you would like to pass on your wealth.

4. TALK ABOUT LATER-LIFE CARE

Social care is a much-talked-about topic, and many people are worried about how they will pay for care when they get older. As a result, people may be starting to plan for this earlier than previous generations. It's important to talk to your family about the care you want so they stay true to your wishes. This could be the perfect time to introduce the subject of inheritance, as estate planning and later-life care go hand in hand.

5. TALK ABOUT FAMILY HEIRLOOMS

If you find it hard to approach the subject of estate planning with your family, then a good place to start could be talking about family heirlooms. People love to hear stories about older relatives, even if they never had the chance to meet them. Talking about items that are important to you or were important to other family members can be a great way to start a conversation about estate planning. ■

LOOKING TO SECURE MORE OF YOUR WEALTH FOR YOUR LOVED ONES?

Planning for what will happen after your death can make the lives of your loved ones much easier. To discuss putting in place an estate plan to reduce or mitigate Inheritance Tax, please contact us – don't leave it to chance.

Source data:
[1] Brewin Dolphin
[2] YouGov surveyed 10,951 UK adults online between 10 and 16 August 2016

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.

PROTECT THE THINGS THAT MEAN THE MOST TO YOU

Cohabiting families risking their family's financial future

THE LIFESTYLE OF OUR LOVED ONES MAY BE SERIOUSLY COMPROMISED IF WE DIE. HOWEVER, VERY WORRYINGLY, MORE THAN 2.4 MILLION COHABITING FAMILIES ACROSS THE UK – THE FASTEST-GROWING FAMILY TYPE IN THE COUNTRY - DO NOT HAVE LIFE INSURANCE, POTENTIALLY LEAVING THEIR LOVED ONES OPEN TO FINANCIAL PROBLEMS ONCE THEY PASS AWAY, ACCORDING TO NEW ANALYSIS[1].

THOUSANDS OF FAMILIES AT RISK

The research found that 73% of cohabiting families – couples living as married – do not have a life insurance policy, compared to 56% of married couples. As cohabiting families do not yet enjoy the same legal rights as married couples, this is leaving thousands of families at risk should the worst happen and their partner dies.

Cohabiting families have been the fastest-growing household type over the last decade. The latest figures from the Office for National Statistics (ONS) show that the number has more than doubled from 1.5 million to 3.3 million since 1996. Furthermore, according to the latest ONS divorce and marriage statistics, the number of couples getting married has decreased by more than 6% since 2012, potentially due to the rise in couples choosing to cohabit.

NOT PREPARED FOR THE WORST

At a regional level, cohabiting families in London, the West Midlands and the East of England are the least likely of all regions in the country to have life insurance. 87% of those living as married in London, 79% in the West Midlands and the same number in the East of England are not prepared for the worst, simply by not having a life insurance policy in place.

On the other hand, cohabiting families in Wales, the North East and Scotland are the most likely of all regions to have life insurance. Despite this, 68% of those living as married in Wales, the same number in the North East and 52% in Scotland still do not have life insurance cover. Encouragingly, the region with the most cohabiting families – the South East – also has one of the highest proportions of those having a life insurance policy in place.

CHOOSING COHABITATION OVER TYING THE KNOT

The findings show that marriage may be on the cards for some, but many people are now choosing cohabitation over tying the knot, and this may well be the case for the rest of their lives. Whether we marry or live together, the needs of loved ones left behind shouldn't be overlooked. Life insurance can ensure the right money can go to the right person at the right time.

Further research found that women insure themselves for up to 30% less than men. The average level of protection that men insure themselves for stands at more than £210,000, whereas women tend to insure themselves for just under £150,000. ■

PROTECTION MATTERS

Most of us insure our cars, our homes and even our mobile phones – but what about helping to protect our loved ones? Help protect your family and give yourself peace of mind with the right level of life insurance. To review your protection needs, please contact us.

Source data:

[1] UK life insurance company, Zurich. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,039 adults. Fieldwork was undertaken between 20 and 21 July 2017. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+). ONS Data – each region multiplied by the percentage of people who do not have life insurance

SAVINGS BLACK HOLE

Inflation set to erode Britain's £60 billion cash savings

MILLIONS OF BRITONS COULD SEE THEIR SAVINGS SHRINK, AS THEY DON'T KNOW HOW TO SHIELD THEM FROM THE THREAT OF RISING INFLATION. CURRENTLY, UK SAVERS ARE HOARDING OVER £60 BILLION[1] IN CASH FOR LONG-TERM SAVINGS AND INVESTMENTS, WHICH STANDS TO BE ERODED BY £1.5 BILLION THIS YEAR AS A RESULT OF HIGHER INFLATION.

Inflation has seen this savings mountain eroded by £760 million so far this year. If inflation were to continue at the 2017 average (2.4%), another £760 million could be lost between now and the end of the year[2].

THE RESULT OF INFLATION

According to BlackRock's Investor Pulse survey, polling 4,000 people in the UK, savers typically have £8,700 in cash, of which a quarter (£2,270) is set aside for long-term savings and investments. Of this pot, they stand to lose £55 this year as a result of inflation[3].

Britons believe their cash savings stand to be worth even less, with three quarters of people predicting that inflation is set to rise further in the next 12 months. Inflation compounded over 20 years would see the £2,270 pot that Britons have set aside for long-term savings and investments depleted by over a third (£870) per person, amounting to over £20 billion for the nation[4].

TAKING THE LEAP FROM CASH

There is still however an emotional barrier that stops us from taking the leap out of cash and into investing. If UK savers had invested their £2,270 pot of cash in the FTSE All Share over the last 20 years, it would be worth £8,350 today. Even if they were to have invested a quarter of their pot in the FTSE All Share, they would still be £1,525 better off[5].

While we all struggle to make plans 20 or 30 years ahead, resigning all our money to cash is not the answer. We are approaching a decade of record low interest rates, which have been giving us little to no return on our money. We have to decide whether we are prepared to watch our money erode away, or try and grow our savings through investing.

MOST EXPOSED TO INFLATION

The Pinched are a particularly vulnerable group of 16.5 million people in the UK with savings who will be worst hit by the rising cost of living, as they have no intention of moving any or any more of their money into investments. The Pinched are least likely to feel in control of their financial futures, and only one in five feel knowledgeable about investing.

Their dependency on cash is largely driven by their need to have quick access to their money (34%). Three in ten believe that the amount of cash they have is too small an amount to be worth investing, while a further three in ten prefer to keep their money in cash to act as a safety net (28%).

RELUCTANCE TO MOVE SAVINGS

There are a further eight million savers in the UK who are committed to staying in cash, saying that they have decided now is not the right time to be moving any more of their savings out of cash.

The Pausers' reluctance to move any or any more of their savings out of cash has largely been driven by worries about market volatility (32%), and compounded by their nervousness about investing (25%). A guarantee that their capital is protected is the greatest incentive for them to take any further money out of cash and into an investment.

HIGHER RISKS FOR HIGHER RETURNS

The survey identifies three million savers in the UK who are most likely to beat the battle with inflation. This group has seriously considered moving some of their money out of cash and plan to do so in the next six months.

The Planners say that low savings rates and their fundamental belief that returns on investing are better over the long term are the main reasons why they are planning to move their savings out of cash. Of the three groups, the Planners are the most confident about their financial future (72%). Six in ten say they are knowledgeable about investing (58%) – the highest proportion of the three groups – and they are willing to take on higher risks for higher returns. ■

MAKING YOUR MONEY WORK HARDER

It's important to set aside money for the future and protect it from inflation, whether it's a rainy day fund to cover unexpected events or for longer-term goals. Whatever your financial goals may be, we can help make it easier for you to invest. To find out more about investing, please contact us.

Source data:

Investor Pulse Survey – BlackRock's Global Investor Pulse Survey examines investing and attitudes and behaviours across the world. The 2017 survey included 28,000 respondents in 18 countries. The UK sample included 4,000 respondents between the ages of 25–74. Survey conducted in Q1 2017.

[1] Total median cash holding: survey population of 27.5m x £2,270. June 2017

[2] Average UK CPI inflation level for 2017 (2.43%) / 2.43% as a percentage of total median cash holding

[3] 2.43% as a percentage of individual median cash level

[4] www.buyupside.com/calculators/inflationjan08.htm – annual inflation rate of 2.43%, June 2017

[5] BlackRock: FTSE All Share 31/12/1996 – 30/12/2016

BUY-TO-LET

Boom to be sustained by pension freedoms

IN THE PREVIOUS FIVE YEARS, BUY-TO-LET HAS SEEN THE IMPACT OF HUGE PROPERTY PRICE INCREASES, LEGISLATIVE CHANGES, NEW TAX TREATMENT AND DEEP ECONOMIC UNCERTAINTY ACROSS THE COUNTRY.

BOOSTING INCOME IN RETIREMENT

Key reasons for considering buy-to-let include the prospect of capital growth, as well as providing a regular income (50%) or to boost income in retirement (44%). A third of the over-50s (36%) think property is a safer place for their money than investing in stocks and shares. A similar number of people (35%) also think it provides better returns than leaving the money in their pension or putting it in the bank.

Some over-50s (22%) have already experienced success at being a landlord, while 18% said they were interested in residential property and would enjoy the process of rental management.

WITHDRAWING SIGNIFICANT CASH SUMS

There are a number of things to consider before embarking on a career as a landlord. First and foremost, a pension is designed to provide an income in retirement, which is usually done either through drawdown or an annuity. People will need to think long and hard before withdrawing significant sums of cash from their pension, as any withdrawal over the first 25% is subject to Income Tax.

If your main priority is to generate an income, then the rental yield from the property may not provide the income you expect. Don't forget you will also have to manage the property, or pay someone to do this on your behalf.

DIVERSIFIED INVESTMENT PORTFOLIO

With most people's main asset being their home, the old adage of having all of your eggs in one basket has never been truer when it comes to pensions and property. A diversified investment portfolio is more likely to deliver the retirement outcome you planned.

Ultimately, the choice of whether or not to invest in a buy-to-let property or portfolio depends on your goals. It's worth remembering that there is a consensus that the private rented sector will grow, in whatever form, very significantly. A recent survey from Knight Frank suggests that as many as one in four Britons will be renting by 2021. If you think strategically, buy-to-let could therefore still represent an appropriate investment opportunity. ■

CREATING A DURABLE WEALTH MANAGEMENT STRATEGY

Obtaining professional financial advice is essential to avoiding any potential tax implications. Whether you're planning for retirement or looking to grow your wealth, we'll help you design a durable wealth management strategy – please contact us to review your situation.

Source data:

[1] Research was conducted by Censuswide between 28/06/2017 and 29/06/2017. Online interviews were conducted among 1,005 people aged 50 and over, yet to retire, who have some form of private pension savings.

[2] Retirement Advantage calculation using ONS population data of over-50s.

BALANCING ACT

You've worked hard for your money – now investing can get your money working harder for you

BEFORE INVESTING, YOU NEED TO DECIDE HOW MUCH RISK YOU ARE WILLING TO TAKE AND CONSIDER YOUR ABILITY TO DEAL WITH ANY LOSSES. SOME INVESTORS ARE HAPPY TO TAKE HIGHER RISK IF THERE IS A CHANCE FOR HIGHER RETURNS OVER THE LONGER TERM, WHILE OTHERS DON'T WANT TO ACCEPT ANY RISK. OTHERS MAY SIT SOMEWHERE IN THE MIDDLE.

The value of investments can go down as well as up, and so there is always a risk that you may not get back the amount you put in.

WHAT ARE MY FINANCIAL GOALS?

Whether you decide to save or invest your money will depend on your financial goals and attitude to risk. If your financial goals are shorter term, such as saving for a car or holiday, you will be unlikely to want to take any risk with your money and might prefer to keep it in a savings account. If you have a longer-term goal, you may be willing to accept the risks of investing in exchange for the potential for better returns.

COULD I MANAGE IF MY INVESTMENT FELL IN VALUE?

Think about whether you could afford to lose your money or manage financially if your investments fell in value. Would your lifestyle be impacted? Are others financially dependent on you, and how would they be impacted? Your own financial situation will impact how you feel about this and how much of your money you are investing.

WHAT IS MY ATTITUDE TO RISK?

Whilst most investments carry the risk that you may not get back the amount you invested, some types of investments carry more risk than others. The general rule of thumb is that the more risk you take, the greater the potential return – but also the greater the potential loss. The less risk you take will generally reduce potential losses but offer less potential returns.

When you invest, the value of your investment will fluctuate. Some investors are comfortable with the value of their investment going up and down over time, while others may prefer to see less or no fluctuations. You need to be happy with the level of risk you are taking.

HOW DO I UNDERSTAND INVESTMENT RISK?

Trying to understand and decide on the level of risk you are willing to take with your investment can be a difficult task. Understanding some of the risks that an investment could be exposed to could help you assess how much risk you are willing to take. Growth from your investment cannot be achieved without exposure to some risk.

Some investment funds are more risky than others, so how do you decide which investments are most appropriate for you based on how much risk you are willing to take with your money? One way of balancing potential returns whilst limiting investment risk is to spread your money across different types of investment. This is called 'diversification' and is an investment concept meaning that you avoid putting all your eggs in one basket. ■

GET YOUR MONEY WORKING HARDER FOR YOU

Does it feel like your savings aren't earning as much as you'd like? You've worked hard for your money – now investing can get your money working harder for you. We believe you'll be better off having the best information to hand to make investment decisions. To review your investment objectives, please call us to arrange a meeting.

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 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.

TIME TO **REVIEW YOUR CIRCUMSTANCES?**

Everything we do is shaped by you

We provide you with a financial plan, a way of achieving that plan and a way of adjusting your plan as your circumstances change over time.

We put your unique needs first, so if you are not yet a client of ours and would like to find out more, please contact a member of our wealth advisory team.

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