wealth management

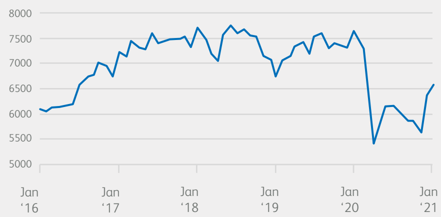
financial Newsletter

Edition 36 – 2021

What is the British Pound worth vs. Euro?

What is the British Pound worth vs. Dollar?

FTSE 100 Chart



KEY FACTS & FIGURES – The UK Economy		
BoE Base Rate	0.1%	January 2021
Unemployment	4.9%	October 2020
Inflation (CPI)	0.8%	December 2020

Agenda

Base rate

The Bank of England Base Rate remains unchanged at 0.1%

UK economic outlook

- UK gross domestic product (GDP) is estimated to have increased by a record 16.0% in Quarter 3 2020, revised from the first estimate of 15.5% growth.
- Though this reflects some recovery of activity following the record contraction in Quarter 2 2020, the level of GDP in the UK is still 8.6% below where it was at the end of 2019, revised from an initial estimate of 9.7%.
- Compared with the same quarter a year ago, the UK economy fell by a revised 8.6%.
- While output in the services, production and construction sectors increased by record amounts in Quarter 3 2020, the level of output remains below Quarter 4 2019 levels, before the impact of the coronavirus (COVID-19) pandemic was seen.

Inflation

- The Consumer Prices Index including owner occupiers' housing costs (CPIH) 12-month inflation rate was 0.8% in December 2020, up from 0.6% in November.
- The largest contribution to the CPIH 12-month inflation rate came from recreation and culture (0.35 percentage points).
- Rising transport costs contributed 0.11 percentage points to the monthly change, while increasing prices for clothing, and recreation and culture items both contributed 0.10 percentage points to help increase inflation; these were partially offset by a downward contribution from falling food and non-alcoholic beverage prices.
- On a monthly basis, the CPIH grew by 0.2% in December 2020, following a 0.1% fall in November.

Unemployment

- The UK employment rate, in the three months to October 2020, was estimated at 75.2%, 0.9 percentage points lower than a year earlier and 0.5 percentage points lower than the previous quarter.
- The UK unemployment rate, in the three months to October 2020, was estimated at 4.9%, 1.2 percentage points higher than a year earlier and 0.7 percentage points higher than the previous quarter.
- Redundancies reached a record high of 370,000 in the three months to October 2020, an increase of a record 217,000 on the quarter, although the number of redundancies fell slightly in October 2020.
- The Claimant Count increased slightly in November 2020, to 2.7 million; this includes both those working with low income or hours and those who are not working.
- There were an estimated 547,000 vacancies in the UK in September to November 2020; this is 251,000 fewer than a year ago and 110,000 more than the previous quarter.
- Growth in average total pay (including bonuses) among employees for the three months August to October 2020 increased to 2.7%, and growth in regular pay (excluding bonuses) also increased to 2.8%.

2021 outlook

The beginning of any new year is a good time to review your financial situation – but it is especially important in 2021 given the tumultuous 12 months that have just come to an end. Here are some tips to consider when looking at the overall state of your finances in 2021.

Personal finances

Check the cost of credit: Interest rates remain at all-time lows, but rates on this type of short-term credit tend to be much higher than on, say, your mortgage – so pay off these debts as a priority and try to avoid dipping into your overdraft every month.

Your mortgage: The rate of interest on your home loan is likely to be much lower, but it is well worth looking for the best deal given the amount of money involved. If you're currently tied in to a fixed-term portion of your mortgage, make a note to look for a better rate shortly before it runs out. If the fixed period has already expired, now is the time to shop around.

Review your pension: Reviewing your pension on an annual basis is a must to ensure you're on course to retire on time and with enough money saved up for a comfortable old age. Use one of the many online pension calculators to check, but remember: you might need to increase your monthly contributions if you want to retire earlier than originally planned. Check you are not overpaying in fees too.

Your investments: Also keep a close eye on your non-retirement investments, such as stocks-and-shares ISAs, to ensure your portfolio has a level of risk you are comfortable with – and this level may well have changed over the past 12 months with parts of the economy once viewed as low-risk becoming more volatile due to the conditions created by the pandemic.

If you are an income seeker, there is a chance you have been forced to hunt for a decent yield in more risky waters given the low rates on savings accounts; so check whether you remain comfortable with the risk your money is exposed to.

Compare your investments' recent gains or losses to those of funds with similar risk levels and in similar assets to ensure you are not suffering from below-par performance. It might make sense to use up your annual £20,000 tax-free ISA allowance before it expires on April 5.

What does 2021 hold for investors?

There remain a number of sources of uncertainty for investors this year, with the Covid-19 pandemic – and the world's response to it – continuing to loom over the economic landscape, says William Davies, CIO EMEA at Columbia Threadneedle Investments.

"We see three themes dominating 2021: the development of a Covid-19 vaccine; the political make-up of the US following the November election; and Brexit," Davies explains;

> "We know that while the end of the pandemic is coming, the fundamentals are likely to deteriorate first. But markets have begun to look through the short term to the sunny upside of the vaccine-led recovery."

Davies says economies could return to pre-pandemic levels by the end of the year, though this is far from certain.

Davies adds: "Companies in the UK appear cheap, which is evident in the rising number of takeovers, mergers and acquisitions. With that in mind, I believe any positive news – be that vaccine-related, Brexit or otherwise – could open the door for a stronger performance from UK equities in 2021." Meanwhile, Davies believes that the ongoing economic challenges mean that high-yield credit is likely to be less attractive than investment-grade bonds in the coming year.

If in any doubt about your investments, do seek the advice of an independent financial adviser

Author: Columbia Threadneedle Investments

Business Protection

You need it more than ever

Prior to lockdown, over half (51%) of businesses had some form of debt, owing an average of £176,000 each – and yet just 20% used an insurance policy as security.

To add to this already significant issue, bank lending to struggling businesses via government-backed COVID-19 loan schemes reached nearly £52bn as of mid-August – meaning that UK businesses are more heavily indebted than ever.

Business loan protection

Business loan protection provides funds to repay a business loan, commercial mortgage, or a director's loan if one of the company's owners were to die or be diagnosed with a serious or terminal illness. Essentially, this type of insurance comprises a life cover or critical illness policy taken out on the life of the business owner or key person, with the payout ensuring the business can pay its debts should the worst happen.

Most lenders require some form of security when lending to businesses; often, business owners will use their own personal wealth (e.g. their property) as security. So, in addition to their business suffering if they were to unexpectedly die or become seriously ill, their family could face serious financial hardship or even lose their home.

Director's loans

It is common for businesses to have a director's loan account, through which the director can:

- Lend money to the business to fund initial start-up costs or see it through cash flow pinch points, for example;
- Borrow money from the company that is not classed as salary, dividends or expense repayments.

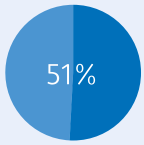
According to research from Legal & General, the average director's loan totals £169,000 – and yet well over a quarter (28%) of businesses are unaware that director's loans must be repaid upon death. This means the business could collapse if there is no insurance policy in place as security.

Loss of a key person

A staggering 52% of businesses say they would cease trading within a year if they lost a key person. Losing a key member of staff can have a huge impact on the business in terms of lost profits, poor cashflow and, potentially, a change in its creditors' attitudes to outstanding debts. That's where business loan protection comes in – it can help alleviate financial pressure by paying off the company's debts and enabling the business to get back on track.

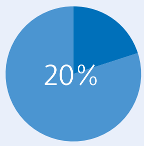
As with all insurance policies, conditions and exclusions will apply

Author: 2plan

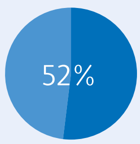


of businesses had some form of debt prior to lockdown

was the average amount owed by businesses in the UK



of businesses used an insurance policy as security



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Estate planning and Inheritance Tax

Inheritance Tax (IHT) is paid if a person's estate (their property, money and possessions) is worth more than a certain amount when they die. This includes the total of everything owned and a share of anything owned jointly.

Your estate is basically the things that belong to you or that you own a share in, such as:

- Property, investments, insurance and assets like cars, jewellery or furniture.
- Gifts you have made in the past seven years, or that you still benefit from are included too - for example, a house you have gifted but still live in without paying an open market rent in return.
- Assets held in a Trust from which you receive personal benefit.

How much IHT would be payable?

Usually, there would be no IHT to pay if the value of the estate is below £325,000. Everything above this is taxed at 40%. The threshold is per person and any unused percentage of this can be passed between married couples and registered civil partners.

The Government introduced a 'residence nil-rate band' from the 2017/18 tax year starting at £100,000. This increases as follows:

- £125,000 in 2018/19 tax year
- £150,000 in 2019/20 tax year
- £175,000 in 2020/21 tax year

The rules around the residence nil rate band are complex and it only applies when the property, or assets representing the property are left to direct descendants. Entitlement to this exemption is also gradually withdrawn, or tapered away, for an estate valued at more than £2 million. This will be reduced by £1 for every £2 that the value of the estate is more than the £2 million taper threshold.

For more details on IHT, please visit the gov.uk website - https://www.gov.uk/inheritance-tax

If your IHT nil rate band is not used up upon death, the unused portion can be transferred to a surviving spouse or civil partner.

Assets passed between spouses or civil partners are exempt from IHT (assuming the spouse or partner is domiciled or treated as being domiciled in the UK), regardless of worth and how soon you die after making them. Assets left to charity are also exempt from IHT.

Additionally, any amount of money you give away outright will not be counted for IHT if you survive for seven years after making the gift. If you die within this period, the amount of the gift will be included within your estate but there may be a gradual reduction in the IHT liability on these gifts within the 7 years. This is known as taper relief.

Bear in mind tax laws can change and sometimes even retrospectively. Also, the rules for individuals who are not UK resident or not UK domiciled are different and therefore tax and local laws should be considered by a potential investor.

How can I plan for IHT?

There are a number of things you could consider doing to help reduce your IHT bill.

- Make a Will.
- Look into exemptions that could reduce the value of your estate. There are a number of exemptions (the annual exemption, small gifts exemption and normal expenditure out of income exemption) you can use to reduce the value of your estate. For example, moving assets between spouses or civil partners does not create a tax liability. If you leave 10% or more of your estate to charity, the rate at which IHT is charged will also be reduced to 36%.
- Consider gifts - if you can afford to give away some of the assets you own, it may be possible to reduce the size of your estate.
- Think about life assurance – this won't actually lessen your IHT but the proceeds could be used to help pay the bill on death.
- Trusts - if structured carefully, Trusts could help to reduce or possibly even eliminate your IHT liability.

Current rates and allowances are available on the gov.uk website - https://www.gov.uk/inheritance-tax.

Because tax rules can change, the impact of taxation (and any tax relief) depends on your individual circumstances.

Author: Prudential

Which bonds for 2021

Lending to the UK government can cost you money. This is because 10-year government bonds currently net a yield-to-maturity (a total return measure incorporating initial investment, interest payments and final loan repayment value) of 0.3% a year. Current inflation expectations, using the RPI (Retail Price Index) measure, are for 3.1% over the next 10 years, implying a -2.8% annual real return on 10-year government bonds.

This does not mean investors should ignore the bond markets but they would be advised to review their exposure to bond funds, what role they are playing in their portfolios and whether they are invested in the most attractive parts of the fixed income markets.

The yields on government debt have tumbled since 2008 because of low interest rates, QE (Quantitative Easing) and investor demand for "safe" assets. This means investors have made good total returns from government bonds over this period but yields now do not have much further to fall, even though some countries have experienced negative rates.

It seems logical that bond market prices will fall (and yields will rise towards more normal levels) at some point but central banks still have huge power to control and manipulate markets via bond buying.

Not only are bond markets in aggregate more expensive than in the past but they are also potentially riskier. This is shown by the fact the duration of the Bloomberg Barclays Global Aggregate Index of government and corporate bonds has increased from around 5.5 years to over 7 years in the last decade. Duration explains how sensitive a bond is to movements in yields; when the interest rate on a bond rises, its price goes down. A higher duration implies higher interest rate risk.

We do not advocate investing in fixed income markets in aggregate because of how expensive and risky they are. But this does not mean we dismiss bonds in totality; conversely, we believe there are opportunities for those who actively manage their investments.

One of the most powerful allocation tools at the moment is the ability to escape the anaemic yield environment of government bonds by strategically allocating money to different areas of the corporate bond (or credit) market. The extra yield an investor gets from lending to a company rather than a government reflects the greater default risk; companies can go bust whereas many developed market governments can print more money to cover loans.

High yield is a particular focus for us at the moment. The high yield market consists of bonds issued with lower credit ratings and offer a higher yield to compensate for this risk.

An example of one of our holdings is Netflix. We recognise there are credit risks: before the Covid crisis Netflix still invested more cash than it generated because it has been growing so quickly, and well-resourced rivals like Amazon, Apple and Disney ensure a very competitive market.

Netflix, however, has more than 200 million subscribers who we think have a reasonable degree of brand loyalty. We also view content streaming as non-cyclical; customers will retain their £9 a month subscription during tough economic times, as shown by its subscriber growth during the pandemic. We think Netflix's default risk is low and, if needed, the company could swiftly switch to cash generation mode by toning down its investments.

Investors are facing three challenges in investing in bond markets at the moment – in aggregate they look expensive, there is a lack of yield and they have higher interest rate risk. Despite this, there are still opportunities to take advantage of market inefficiencies and generate relatively attractive levels of income.

Key Risks:

Please remember that past performance is not a guide to future performance and the value of an investment and any income generated from them can fall as well as rise and is not guaranteed, therefore you may not get back the amount originally invested and potentially risk total loss of capital.

Investment in Funds managed by the Global Fixed Income team involves foreign currencies and may be subject to fluctuations in value due to movements in exchange rates. The value of fixed income securities will fall if the issuer is unable to repay its debt or has its credit rating reduced. Generally, the higher the perceived credit risk of the issuer, the higher the rate of interest. Bond markets may be subject to reduced liquidity. The Funds may invest in emerging markets/soft currencies and in financial derivative instruments, both of which may have the effect of increasing volatility.

For a comprehensive list of common financial words and terms, see our glossary at www.liontrust.co.uk/glossary

Author: David Roberts,
Head of the Liontrust Global Fixed Income Team, Liontrust

Cohabiting couples should make a Will

When Tom and Pete bought their first property together, things couldn't have been going better. They both had good jobs, were pulling in decent salaries and were excited about spending the rest of their lives together.

They chatted about making a Will a few times, but somehow life always got in the way. Until one day, 10 years later, Pete got a call that would change his life forever. Knocked down by a car while crossing the road, Tom had tragically passed away.

The intestacy trap

Grieving for the loss of his partner, Pete then found out that, due to the UK's intestacy laws, he wasn't entitled to inherit any of Tom's property, financial assets or belongings, unless they were jointly owned. Despite Pete knowing that Tom had loved him and would want him to inherit, the absence of a Will meant that none of that mattered.

Thankfully, Pete and Tom had owned their property as joint tenants, meaning Tom's share automatically passed to Pete according to the rights of survivorship. However, without children or any surviving parents or siblings, the remainder of Tom's assets ended up being passed on to a distant uncle with whom Tom didn't have any contact.

Now, Pete faces a battle to pay his bills and mortgages without Tom's savings and investments, life insurance policy and even the car that Tom owned but they both used.

Three in five UK adults do not have a Will

How a Will could have helped

Had Tom got around to writing a Will, he would have been able to specify exactly who would receive what from his estate, including his savings, investments, car and other belongings. In addition to writing a Will, Tom could have made his wishes known, by nominating beneficiaries to his pension and writing life policies under trust. By taking these steps, Pete would have been given the extra financial support he now so desperately needs.

As it stands, Pete still has the legal right to claim against Tom's estate as they had been cohabiting for more than two years - but this will be a costly and time-consuming process and a positive outcome isn't guaranteed. If Tom had a Will, this added stress could have been avoided.

Don't put it off

With cohabiting couple families growing faster than married couple and lone parent families, it's clear that more people are choosing not to get married, just like Tom and Pete. However, there's a catch. Cohabiting couples have none of the legal protections afforded by marriage, meaning that a Will is one way to ensure your partner inherits according to your wishes. Despite this, research shows three in five UK adults do not have one.

Let us help

Don't let what happened to Pete, happen to you. Speak to a solicitor or Will writing expert to make sure your loved ones are protected.

The Will writing service promoted here is not part of the Openwork offering and is offered in our own right.

Openwork Limited accept no responsibility for this aspect of our business.

Will writing is not regulated by the Financial Conduct Authority

Author: 2plan

The case for sustainable investing

A more mindful way to invest

The investment opportunity

2020 proved to be a pivotal year for sustainable investing, and one in which its role in shaping our economic and financial futures became more urgent.

The Covid-19 outbreak and lockdowns of entire economies around the world has sharpened the focus on companies' societal responsibilities. The CEOs of many of the largest corporations, some of which appear almost to rival governments in their reach and influence, have said that running them solely for the benefit of equity owners is no longer an option. For a start, it risks alienating non-shareholders if the long-term impact of a business on the community and environment in which it operates is a negative one.

This doesn't mean that shareholders' interests are not important – they do matter and will continue to do so. But they are not the only interests that matter. This is no brief moment in the spotlight, but a serious reappraisal of capitalism, of how enterprises are run and for what purpose.

Three reasons to consider a sustainable approach to investing

1. Aligning investments with personal values

Before the pandemic hit, investors' interest in environmental, social and governance (ESG) investing was growing in all regions of the world, and the biggest issue for many was the impact of climate change and how to address it.

This trend has accelerated in the subsequent months as Covid-19 has brought ESG issues to the forefront of people's minds with unexpected urgency. In particular, the 'S' in ESG has taken on a new prominence with a much greater focus on the societal responsibility of businesses in a global crisis. Priorities – for corporations, households and governments – have changed dramatically.

The trend of aligning investments with personal values is in place and a number of asset managers are adapting to this. For example, at Fidelity we have moved to integrate sustainability analysis more broadly into our investment process – alongside traditional financial metrics – in recognition that companies with strong sustainability credentials are most likely to survive and thrive in the long run.

2. Resilient returns

A growing body of evidence indicates that companies with high ESG standards are more resilient, typically have a lower cost of capital, and may offer high quality, long-term returns. Both before and during the crisis, companies with higher ESG scores have outperformed the laggards, according to Fidelity research.

3. Looking to the long-term

Covid-19 and climate change are both planetary events that directly challenge and impact the way we live. This has presented an opportunity for companies and investors to embrace sustainable capitalism, think longer-term and reset incentives for senior executives that are tied to achieving specific ESG goals.

Sustainability factors are fundamentally a proxy for quality management. Corporate leadership teams that prioritise broader stakeholder outcomes are likely to be best placed to survive and thrive in the long-term, ultimately offering the most stable and sustainable returns for shareholders.

So what?

The length of time you invest for is the single biggest factor that determines growth opportunity – the longer the better, although of course there are no guarantees. Your savings can also benefit from compounding if the funds you invest in are the type that generate income which you use to reinvest rather than it being paid out to you. Over time this will compound, as effectively you're getting interest on interest, helping your savings to grow even faster.

As a result, for investors focused on the long-term, the quality and integrity of a business model and the team employing it are paramount. This means avoiding companies with subpar checks and balances on their accounts, or those risking the reliability of long-term quality growth in favour of chasing short-term profits.

In this sense, sustainable investing is all about identifying trustworthy and dependable, quality companies that are built to last and integrated into transforming the world around them. In the long term, what is good for stakeholders will be good for shareholders too. This is not a zero-sum game.

There is a wide selection of sustainable funds to choose from. So it is really important to discuss with your financial adviser what your financial goals are and the outcome you are trying to achieve. Your adviser will also help you assess your risk appetite and capacity for loss based on your investment goals and time-horizon.

Important information

Author: Fidelity International

Tactically Navigating the Optimistic Consensus

As the world looks forward to vaccine driven recovery in 2021, risk assets have made strong recoveries with some markets reaching all-time highs and the consensus sentiment is now optimism verging on euphoria. The near-term outlook for asset prices is indeed benign as accelerating virus growth is met with a global vaccine roll-out, supportive fiscal policy and continued low interest rates.

However, the lesson of 2020 is to expect the unexpected and many investors will also be thinking about how they can protect downside risks. The base case for a rapid economic recovery is now priced into financial markets, but it could be delayed or derailed by factors such as: slow vaccine rollouts; refusals to take vaccines; further new virus mutations; persistent lockdowns and restrictions on social activity, or a lukewarm rebound in consumer or corporate confidence. Already gargantuan government debt cannot keep on growing forever and at some stage subsidies must be reined in and taxes will be hiked. If a robust economic recovery does materialise, a resurgence of inflation and interest rate rises could threaten valuations for some assets, though Fulcrum judges that loose labour markets and deflationary forces such as online shopping mean inflationary fears are overblown. Still, volatility could also emanate from other sources: geopolitics remains fragile as the Covid crisis has been particularly harsh for some less developed countries where tensions could flare up into conflicts.

The classic 60/40 equity/bond split has been a very easy formula that has performed exceptionally well for the last three decades but trillions of dollars of bonds now do not even provide a positive return let alone a return above inflation, which is the target for the strategies Fulcrum run. Bonds with negative yields are like jogging on an accelerating treadmill, running faster and faster to stand still; they need to see their yields fall even further below zero simply in order for capital gains to counterbalance the negative yield. Every time yields take another leg down the breakeven arithmetic becomes more difficult. Inflation linked government bonds offering even larger negative yields also now need much higher rates of inflation to simply break even, as Fulcrum Chairman, Gavyn Davies, commented in a recent column in the Financial Times titled;

"As Covid optimism grows, investors seek to hedge against inflation risk"

This, combined with high valuations on equities, mean that Fulcrum projects multi-year "buy and hold" returns for major asset classes well below those of the past few decades, ranging between slightly positive plus 2% to slightly negative minus 2% for the next few years. This should not surprise investors with longer memories, who realise that markets are not a one-way bet. There have been multi-year periods when both equities and bonds delivered negative returns.

Investors may want to consider 'Absolute Return' strategies that seek to deliver positive steady returns whilst protecting capital in stressed markets, such as those of the first quarter of 2020.

Though financial markets have had a smooth, almost straight line recovery, the economic path has been bumpy over time and uneven between countries, which creates opportunities to express views on differences between regions where interest rates, inflation rates and economic growth are moving at different speeds and even in different directions. Many Asian countries, including China, have recovered strongly while Europe is expected to descend into a double dip recession.

'Absolute Return' strategies seek to deliver positive steady returns whilst protecting capital in stressed markets, such as those of the first quarter of 2020. Absolute Return funds can invest in various types of asset including the following;

Currencies

Currencies, the world's largest financial market, are one way to action these views, and they can also be used to generate forms of income from differences in interest rates between currencies, or from currency volatility around events such as Brexit deal negotiations.

Commodities

Commodities are also a huge market which could be a beneficiary of inflation and years of under-investment in supply. Fulcrum has exposure both to selected commodities and commodity related equity themes.

Equities

Equities, both by holding them in anticipation of share price gains or through a 'market neutral' approach that can profit from differences between sectors and stocks, without worrying about the overall market direction. The most obvious big picture divergence could be as simple as manufacturing activity - that is free from government restrictions - outperforming services that are hamstrung by lockdowns and stay at home consumers, who are switching their spending from dining out to smartphones or fancy wristwatches.

There are also global megatrends such as climate change, where government policies are being accelerated globally by the EU Green Recovery Plan, Biden's win and carbon neutrality targets in multiple countries including China, Japan and South Korea. ESG is the new "rock and roll" for some companies but increasing regulation also threatens many others that will become sunset industries as we move to a greener economy. Therefore, a flexible approach to profiting from both winners and losers makes sense. For instance, the green agenda may slow demand for some fossil fuels but it could increase demand for other commodities such as copper that enable electric vehicles.

Some portfolio themes can also be applied across multiple asset classes, including equities, bonds, currencies and commodities while others may apply within only one or two of these markets. A sophisticated approach to portfolio management, thinking laterally across regions and markets, benefits from a wider range of opportunity. A tactical and flexible approach can be nimble in aiming to mitigate market volatility and reversals.

Author: Nabeel Abdoula, Head of Discretionary, Fulcrum

Three financial problem areas all women need to focus on

When it comes to finances and our money, there are three very specific problem areas that we, as women, need to pay very special attention to.

We need to talk about pension planning

First up, our retirement savings. As women, we tend to live longer, which is good news. But sadly, we also still tend to earn less than our male counterparts and so therefore unfortunately save less. Combined, these two things mean it is all too easy for us to come-a-cropper decades down the line when we realise that it's far too late to do anything about it.

In Fidelity's recent 'Financial Power of Women' survey, 25 % of the women we spoke to have never really calculated how much they will probably need in retirement. 21 % of women said they have not considered life expectancy as a factor when thinking about how much they need in retirement either. Yet these are two essentials to consider when it comes to retirement planning. The fact is that as women we face a substantial 'gender pension gap'. And it is only by planning and saving early that we can set enough aside to retire comfortably. Whether you are saving for retirement or other financial goals, investing your money early, even if it's just a small amount, will give you the best chance of having a substantial pot of money when you need it.

The career break trap

Secondly, we need to consider the impact of career breaks. Potentially when you have children, for example, time off work is inevitable. Taking time out to care for kids and/or elderly relatives is also something that tends, more often than not, to predominantly fall into a woman's lap.

Caring for others can take away the ability to earn (or certainly earn as much as you otherwise could) for that period of your life. Whether having a baby means a period off work on maternity leave, or a growing family necessitates a switch to school-friendly working hours or caring for others forces you to work part-time or give up paid employment altogether, it can have a real and very negative impact on your finances.

Further research from our 'Financial Power of Women' report identified maternity leave as a key moment where the gender pension gap begins to widen which means that time not saving into a pension means less money in retirement.

The good news is there are steps you can take to help ensure that you don't suffer from any gaps in saving during periods out of paid work. Partners who are in full time work, for example, or with extra savings to spare, can make contributions to your pension on your behalf. Even if you're not earning a penny, you can still pay in up to £2,880 a year, which with tax relief could bump up the total to £3,600. Fidelity's research has also shown that for every two years off work, you should save £4.90 a day extra into your pension when you're back at work in order to close the pension gap.

Don't forget there's a 'you' in 'us'

Thirdly, there are the financial issues that arise when it comes to divorce. Of course, no one gets married thinking that one day they could end up divorced. However, unfortunately, as many as 42 % of marriages in England and Wales end in divorce for one reason or another[1].

Financially, it pays to face up to the fact that marriages don't come with any guarantees. If we don't maintain some financial independence, it is all too easy to get caught out. Putting savings in place that will see you financially looked after, whether or not your chosen one turns out to be Mr (or Mrs) Right, is a smart move. One of the key reasons why people stay in unhappy marriages or get stuck co-habiting is because they simply do not have the financial means to support themselves.

Of course, financial independence isn't just important for married women. The fact is it's essential whether you are single or married, have children or not.

It pays to seek advice

I fully appreciate putting a personal financial plan in place can seem daunting. It can also be difficult to know whether you're doing the right thing or not. This is where your 2plan adviser can help – they can recommend the best course of action for your particular circumstances and can help ensure that the consequences of the potential issues I've highlighted above have been factored into your long-term financial plan.

Important Information

The value of investments and the income from them can go down as well as up so you client may get back less than you invest.

UKM0121/32995/SSO/0122

Author: Lesley Davidson, Associate Director – FundsNetwork Strategic Accounts

[1] ONS, Divorces in England Wales: 2017

Is your deposit enough?

When James and Allison first started renting together, they were determined it would be a temporary move.

Fresh out of university, they turned their attention immediately to homeownership, putting away as much of their money as their rent and living costs would allow.

Allison had always been careful with money and imagined with both of them saving they would be able to get a foot on the property ladder sooner rather than later.

Along came COVID

Fast forward six years with a budget of £250,000 and a carefully scrimped and saved £25,000 deposit and the couple finally started house hunting.

Then along came 2020. A global pandemic, the closure of the property market, a failing economy and widespread job losses. James, a hotel manager, was placed on furlough. Allison was fortunately able to work from home. With government support and the hope that the situation would be temporary, the couple remained optimistic.

> It was widely reported that lenders were pulling hundreds of mortgage products for buyers with 5% and 10% deposits

Mortgage lenders took a more cautious approach, however. In the months that followed, news that lenders were pulling hundreds of mortgage products for buyers with 5% and 10% deposits was widely reported in the media.

The struggle to find a mortgage

Just before lockdown hit, James and Allison had managed to secure a mortgage in principle with a 10% deposit. Now, like many others, they faced being denied a mortgage despite having an agreement in principle. Through no fault of their own, they found themselves thousands short on their deposit

Difficult, but not impossible

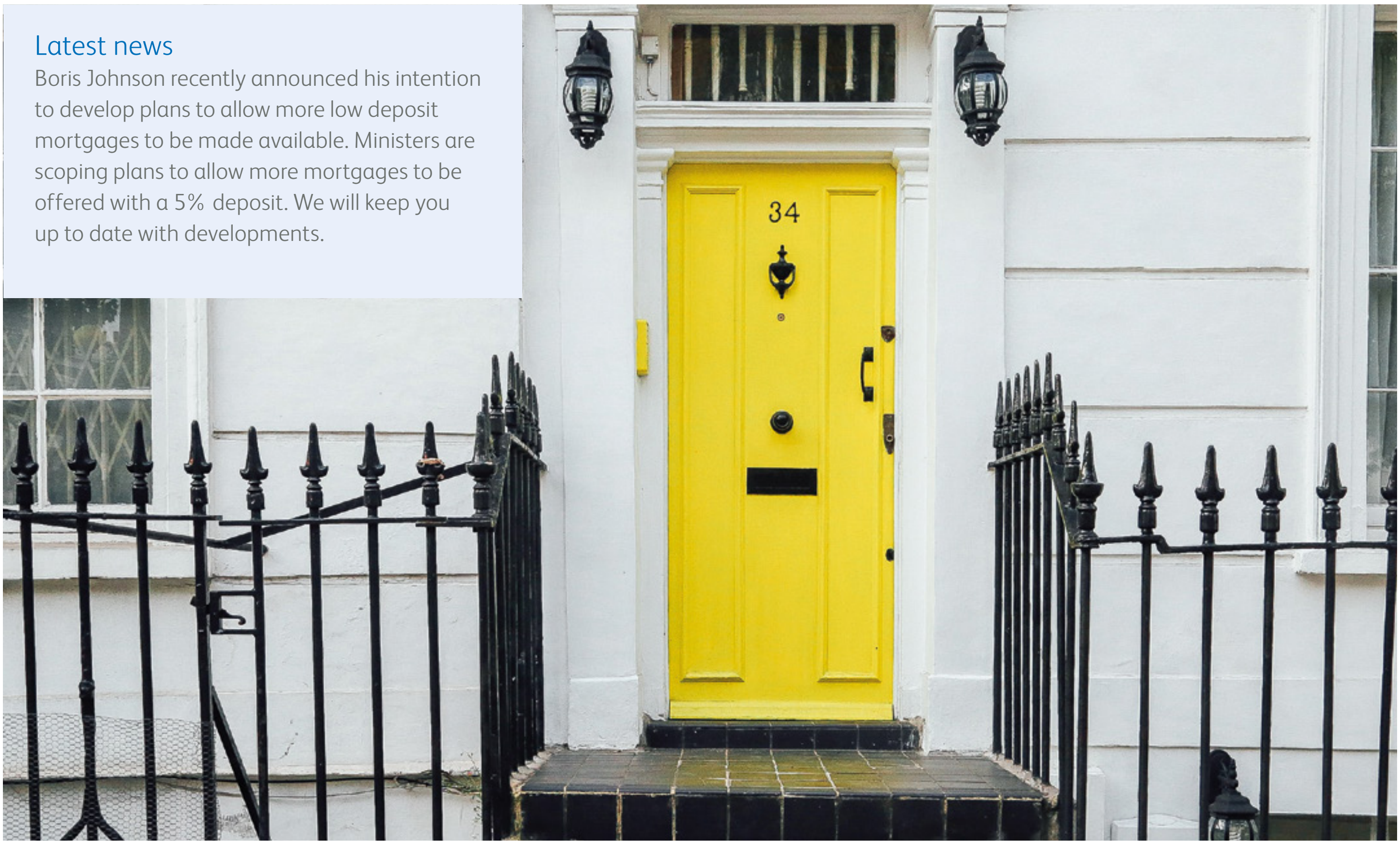
Reporting shows first-time buyers are set to lose their 'share-of-sales stronghold' by the end of the year, James and Allison are far from alone in their experiences. And, while 56% of first-time buyers under the age of 35 have received financial assistance from the Bank of Mum and Dad, not everyone is in the same position.

Getting a mortgage may still be possible for the many despite the difficulties in the market. That's where we come in. We can help people like James and Allison to get a grip on their finances and find a mortgage that suits their circumstances. We're here to consider all the options available to you.

Author: 2plan

Latest news

Boris Johnson recently announced his intention to develop plans to allow more low deposit mortgages to be made available. Ministers are scoping plans to allow more mortgages to be offered with a 5% deposit. We will keep you up to date with developments.



The key to a happy retirement is knowing what you want – and how to get there

Fail to plan, plan to fail – we've all heard this. And planning your money future is no different. You want the best possible results for your retirement, don't you? Course you do.

But what makes a good retirement plan?

Financial planning is a means to an end, not the end itself. It is far more than just budgeting, and requires taking a very long-term view. We all have dreams for our futures. The plan is the route map to help us get there, taking account of the possibility we may hit the occasional pothole or diversion.

Most people heading into retirement have some key objectives.

First, you need income to pay the bills.

Some of this is likely to come from State Pension but the rest will depend on personal sources of wealth – workplace and personal pensions, investments and savings.

A useful yardstick for retirement planning is the 'minimum income requirement'. This is the minimum amount of income people need to cover the essentials of living. For themselves and their partner or spouse. It will include things like food, transport and utility bills.

But it will vary, with some seeing an annual holiday as a necessity, others as a luxury. The point is that everybody has their own 'minimum income requirement' figure. So your pension money should aim to produce sufficient income to cover this amount, before thinking about anything else.

How do professionals work this out?

Professional financial advisers have to understand a client's 'capacity for loss'. This means the amount a client could afford to lose from an investment, before it has a materially detrimental effect on their standard of living.

With financial markets reminding us recently that investment is not a one-way bet, it is important people think about protecting what they do have.

A second common objective is to gift assets to children or relatives.

This can be either during retirement, or as an inheritance. This can be either money or property. The minimum recommendations is to ensure you have a valid will.

But passing on wealth is an area where financial planning can start to get complicated for many people. It requires a knowledge of the tax rules, and ways to mitigate inheritance tax.

The third objective is having a plan to pay for care if it is needed.

This might be either at home or in a residential care home. Recent research carried out by Just Group found that three in four (74%) of over-65s said they had not thought about care, planned for it, or discussed it with family.

Care is tricky because many people will face zero or modest care costs, while others who need long-term residential care will face huge bills. Only about one-third (37%) of care home residents are fully funded by the State. The rest must pay the whole cost, or at least a contribution.

The ideal scenario is to do the thinking about the 'what ifs' of care early in retirement, rather than leaving it to the last minute when options may be far more limited. Power of Attorney documents covering financial affairs and health and welfare are important to help people who can no longer make decisions for themselves, for example due to dementia or a stroke.

Keep reviewing your plans.

The final point about planning is that circumstances change and objectives may become more or less important over time. It is important to keep the plan under review and to rethink where appropriate and your 2plan adviser will keep you on track with this.

Good financial planning for retirement is not just about money, but as much about having peace of mind and knowing that someone who understands the challenges has understood your needs and is working with you to make the most of what you have.

Author: Just

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