Essentially Wealth

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Quilter Financial Advisers

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Are you retirement confident?

While everyday financial pressures can make saving challenging, it's imperative not to neglect your pension and retirement plan. Diligent planning at the earliest opportunity can make all the difference between enjoying a comfortable retirement and enduring a regretful one. After all, you reap what you sow.

Avoiding retirement regrets

Over the years, research has highlighted how people have tendencies to leave retirement planning too late and harbour regrets at not saving more diligently across their working lives. A recent survey[1] revealed that one in five people expect to leave planning for their retirement until they are aged at least 60. Another study[2] found almost half of over-50s regret not saving into a pension sooner, and nearly two thirds wished they had made larger contributions at an earlier stage. These findings vividly highlight the need for more people to take control and prioritise retirement planning earlier.

Blind spots

Research[3] has laid bare the cost of being kept in the dark on key pension details, with over three quarters of people not knowing how much they pay in pension fees. While one third of pension holders are unaware of their pension's risk profile, a similar proportion of them are invested in low-risk funds. This lack of awareness regarding investment choices, fees and investment has been estimated to cost an average pension holder around £120,000 over their working life.

Engagement gap

The lack of engagement has led the Pensions and Lifetime Savings Association and the Association of British Insurers to launch an industry

campaign aimed at improving people's understanding of pensions. Due to run this autumn and winter, the campaign will attempt to raise awareness of various pension-related issues so that more people can enjoy a better standard of living during their retirement.

Reap what you sow

We can help you take control to ensure you are able to enjoy the happy and fulfilling retirement you deserve.

[1]HL, 2022, [2]Aviva, 2022, [3]interactive investor, 2022

Time to revisit your IHT strategy?

Inheritance Tax (IHT) receipts from April 2021 to March 2022 totalled over £6bn, a 14% (£0.7bn) increase on the same period 12 months earlier[4].

IHT receipts have increased for a variety of reasons, including the impact of rising property prices, meaning more families falling within the range of IHT. While thresholds remain frozen at current levels – the nil-rate band is £325,000 and the main residence nil-rate band is £175,000 – IHT can effectively be regarded as a stealth tax.

Your IHT refresh

Strategies to reduce the amount of IHT payable include:

- **Gifts** – use your **£3,000** annual allowance before the end of each tax year. You can also make gifts of up to **£250** per person per tax year, rules apply
- **Leave money to charity** – if you leave at least **10%** of your net estate to charity, the IHT rate reduces from **40%** to **36%**
- **Make a Will** – and keep it up to date by choosing who you pass your estate onto
- **Trusts** – for example putting money into a trust to pay for a grandchild's education or to support another relative
- **Take out life assurance** – this won't reduce your estate but instead provides a lump sum to your beneficiaries to pay the IHT bill. The policy should be written under a suitable trust
- **Take advice** – sensible IHT planning can help to reduce the amount of IHT your beneficiaries pay and safeguard your wealth for the future.

[4]HMRC, 2022

Your protection policy – not a cost worth cutting

It's understandable that we're all looking for ways to cut costs, as households face the biggest squeeze on their income in years.

Obvious expenses to focus on when looking to streamline are items like subscriptions and direct debits (for example, for gym memberships, streaming services and food ubscription boxes), but there is one cost that you shouldn't give up – your protection policy. Times of financial difficulty are exactly when we need protection the most.

Many policyholders aren't aware that life insurance cover can be flexible and there are ways to reduce your cover rather than cancelling it outright. We can assist you with any aspect of your protection policy to help keep your vital protection cover in place.

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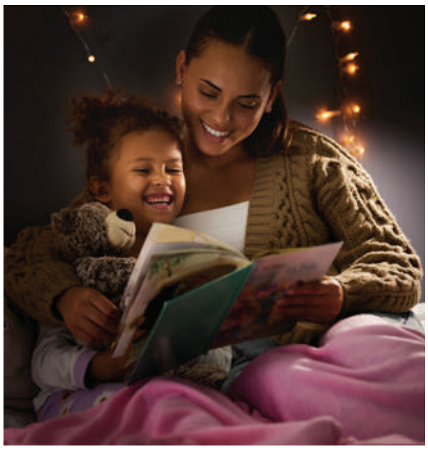

Sandwich generation – time to put yourself first?

Cost-of-living challenges look set to heap further pressure on the sandwich generation (responsible both for bringing up their own children and for the care of their ageing parents), making it vitally important to take advice before making any hasty decisions which could sacrifice their financial futures.

People who provide support to adult loved ones will typically be hit twice by the cost-of-living crisis; not only will they find their own household bills rising but also those of the people they are supporting financially, a problem which is intensifying[5]. Financial worries can cause a great deal of stress and anxiety; nearly one in five people say they have lost sleep over soaring prices in recent months[6].

Think hard

Rising cost pressures are resulting in people cutting back on their long-term savings commitments, with research[7] showing one in four investors stopping pension and ISA contributions. Depending on your circumstances, for some investors, it may be suitable to continue putting long-term savings in the stock market.

When in (financial) doubt – talk it out!

Although many over 45-year-olds have found themselves facing potential financial vulnerability, there is a tendency to keep it to themselves[8]. With the rising cost-of-living impacting so many people, taking the time to discuss important financial matters will help to ensure that the right financial plans are in place to potentially support other family members and safeguard family interests. Talking it through will help establish priorities, clarify goals and ensure that plans are put in place to support each generation according to their financial needs.

Although it can seem unnatural for members of the sandwich gen to consider their own needs, we are here to listen and provide advice when you need it.

[5]Legal & General, 2022, [6]Shawbrook Bank, 2022, [7]interactive investor, 2022, [8]Just Group, 2022

JISA to adult ISA transition period – gen up

At present a child can hold a Junior Individual Savings Account (JISA) until the day they turn 18 – the annual allowance is currently £9,000. On their 18th birthday, the child can open an adult stocks and shares ISA – the annual subscription is currently £20,000. Simple.

The interesting part

A child can open an adult cash ISA when they turn 16, benefiting from the full £20,000 adult allowance, a child can also hold an adult cash ISA alongside a JISA whilst they are under 18. So, in one tax year, a total of £29,000 can be paid into their ISAs. This can be repeated in the tax years they turn 17 and 18, meaning contributions totalling £87,000 can be made in under three years.

It's a wrap

If you're looking to put money aside for your children or grandchildren, there are some interesting tax wrapper opportunities available to you.

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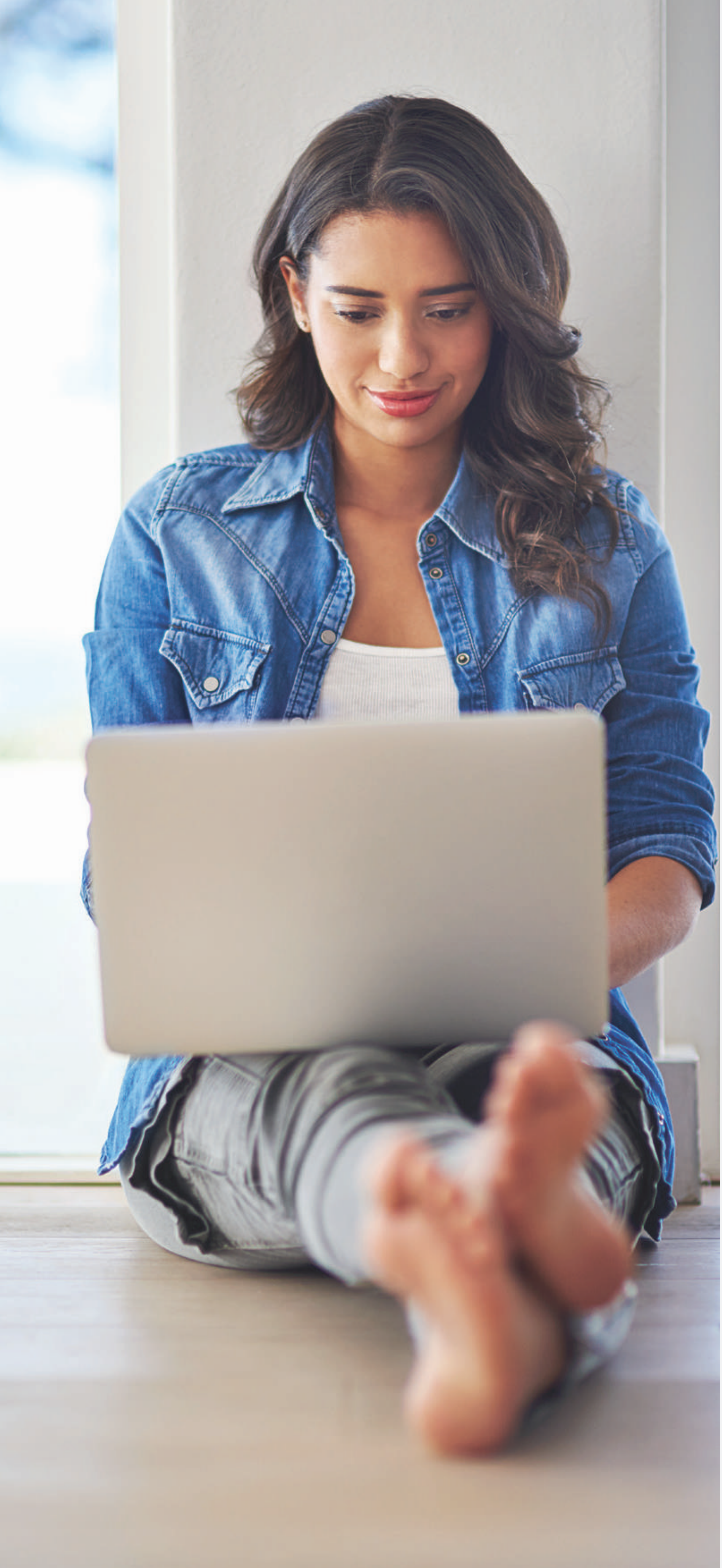


Spotlight on the Trust Registration Service

Established in 2017 to digitalise the trust registration process, the Trust Registration Service (TRS), recently required modification so HM Revenue & Customs (HMRC) can fulfil its obligations under new anti money laundering regulations.

The rules require all UK express trusts and some non-UK trusts (including most non-taxable trusts) to register with HMRC. The TRS began accepting registrations from non-taxable trusts last September, with an initial deadline of 10 March 2022. However, due to delays in preparing the TRS, the deadline was subsequently amended to 1 September 2022.

The September deadline is applicable to all trusts in existence on or after 6 October 2020, even if they are now closed. After this deadline, all new trusts (and any changes to the details of existing trusts) must be registered within 90 days. So that trusts set up close to the September deadline are not penalised, the 90-day rule will also apply to trusts set up on or after 2 June 2022.

Exemptions

Some trusts are exempt from registration unless they pay UK tax. Examples include trusts holding life insurance, trusts used to hold money or assets of a UK-registered pension scheme and other policies that pay out upon a person's death, charitable trusts and will trusts.

Rules relating to trusts are complex, please get in touch with your financial adviser if you are unsure.

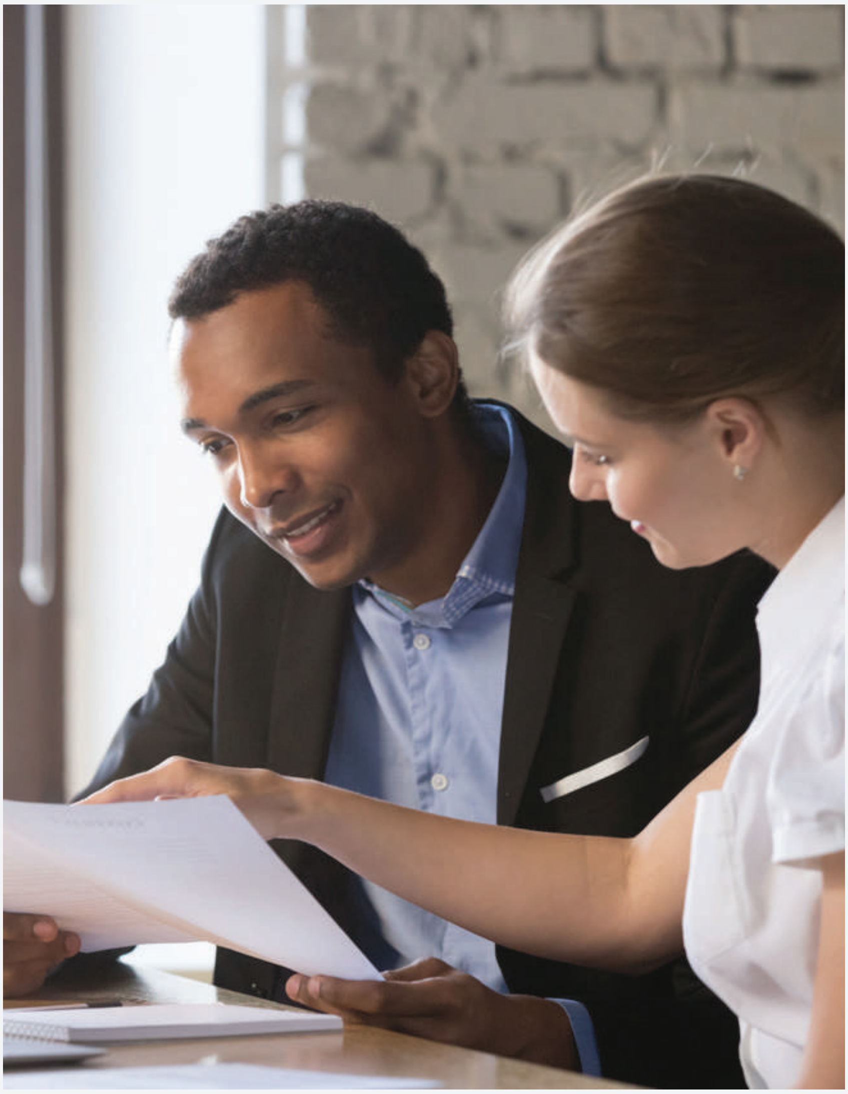
Are you an emotional spender?

If you've had a bad day, does an online order make you feel better? When you're bored, do you hit the shops? Have you ever regretted making a purchase you didn't really need?

If your answer to any of these is 'yes,' you may be an emotional spender. So, how can you curb the habit to get out your credit card when you're not feeling great?

- Before buying something, try to take a step back and assess why you are buying it. How are you feeling? Is this a necessary purchase? Will you use it?
- Identify the emotions that drive you to spend. Whether it's anxiety or a bad day at work, understanding your triggers is often the first step towards controlling emotional spending
- Find more positive ways to deal with your emotions, whether it's going for a run, watching a favourite TV show or spending time with loved ones.

Emotional spending can be accompanied by a healthy dose of shame, but we're not here to judge!



Sentiment and super trends

Analysis[9] has identified growing concerns over the economy as a key super trend, with economic anxieties now replacing the pandemic as a key area of unease for investors.

The review of global themes driving investment over the long term suggests that, although COVID-19 *'remains a worry for many people'*, it now ranks below concerns about *'poverty, social inequality and unemployment.'* Other super trends identified within the analysis include infrastructure, which is driven by government spending, technology with new catalysts like the metaverse providing impetus to this trend, the silver economy and climate change.

An investor sentiment survey[10] shows that two thirds of investors surveyed said they expect the ongoing conflict to result in higher energy prices, while 64% expect more global instability and 60% are concerned about increased cyber-attacks. In addition, more than half of respondents believe abnormally high inflation will last longer than 12 months. The survey found that investors were not at the time looking to adjust their portfolios, although they are poised to do so *'should the market decline further.'*

[9]Credit Suisse, 2022, [10]UBS, 2022

Unlocking the real value of your wealth

Would you agree that wealth is not about hoarding money but the flexibility and financial freedom it affords to help us achieve our goals and passions? Essentially, wealth has the scope to create a powerful purpose in our lives.

Take time to understand your 'why'

Developing a clear understanding of what you want from life and what mark you want to leave is the perfect starting point for unlocking the true value of your wealth. Perhaps you want to start your own business; travel; create opportunities for others; support your family or leave a legacy. Determining the things you really care about can provide a genuinely powerful purpose to your wealth.

Wealth sharing

One way to find fulfilment in your wealth is by sharing it. There's no joy in holding onto wealth that you'll never use. Using your wealth to help family members, for example, can be particularly rewarding, allowing you to positively change the lives of your loved ones. As the soaring cost-of-living continues to weigh heavily on household finances, there has perhaps never been a better time to offer financial support to family members.

Intergenerational focus

One in three advised families now share the same financial adviser[11], with many seeking help with wealth transfers and planning. In addition to cost-of-living pressures, the growing need for intergenerational advice has also been fuelled by the IHT allowances freeze until at least 2026, which will result in a growing number of people becoming liable for death duties.

The power of purposeful wealth

Your financial adviser can help you develop a clear understanding of what you want to achieve with your wealth and then provide the support and advice required to fulfil those goals.

[11]M&G, 2022

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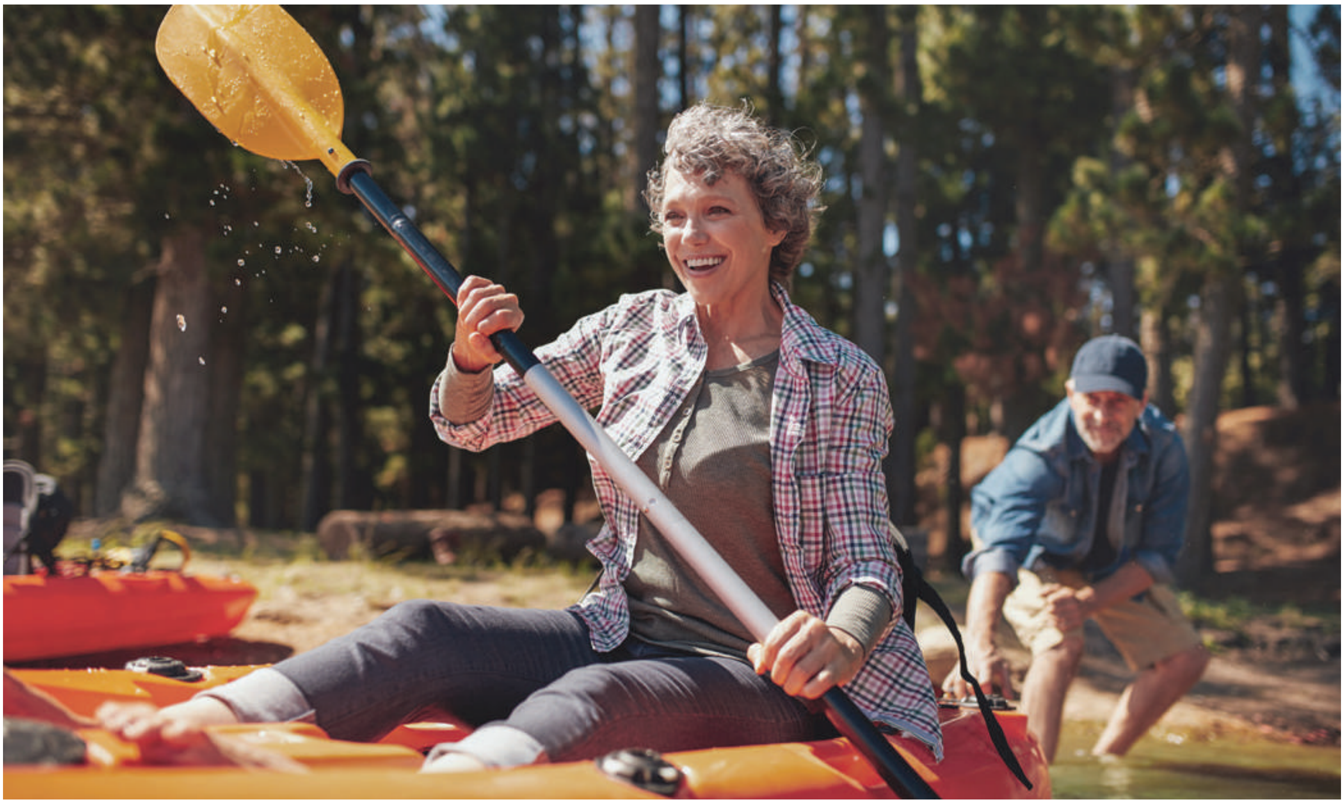

Divorce and your pension

Almost a fifth of people who divorce are, or will be, financially worse off as a result[12].

With the same research highlighting a third of divorcees are being forced to take money from their savings to supplement their finances, while 18% are borrowing from family and friends, and 15% resort to selling their possessions to make ends meet – many divorcees are clearly struggling financially.

With 42% (or £6.4tn) of UK wealth currently held in private pensions, they are highly valuable assets which can feature as hugely important elements of a divorce settlement. Following this, what's really interesting is that 15% of divorced people had no idea that their pension could be impacted by getting divorced and 35% did not make any claim on their former spouse's pension.

Don't underestimate your pension

So, we've determined that pensions are an important asset and are likely, depending on each divorcing couple's circumstances, to be considered as part of an overall financial settlement. As each divorce settlement is different, the treatment of any pensions involved will also be very different; it's certainly no rule for all. In some cases, for example, if both parties have a pension, they could be entirely omitted from the settlement. For divorces after December 2000, pensions can be taken into account in three ways, offsetting, earmarking and pension sharing. It's actually a very complex area; in addition, rules vary regarding what exactly can be divided, depending on where in the UK you are divorcing.

Dividing up any pensions may be one of the largest financial decisions you need to make. We are here to help you make those important decisions with your finances as you navigate the complexities (emotional and financial) of divorce.

[12]Aviva, 2022

Standing on your own two feet

The value of inheritances is set to double over the next 20 years, but fewer than one in three (32%)[13] have benefited, or expect to benefit, from an inheritance or gift in their lifetime. So, this certainly shouldn't be something you rely on to fund your own retirement.

It's understandable that parents and grandparents want to help their family financially, perhaps by helping the younger generation to get a foot on the property ladder, but passing on money through an inheritance is unpredictable. Many will choose instead to make gifts during their lifetime. However, people need to be mindful about not sacrificing their own standard of living in later life by doing so. Achieving that balance is vitally important.

An uneven distribution of wealth

Jack Leslie, Senior Economist at the Resolution Foundation commented, *"A boom in household wealth over recent decades has led to expectations of a huge inheritance windfall. But inheritances go to too few – and too late – to resolve Britain's youth home ownership crisis, with just a third of people having received or expecting to receive an inheritance. These wealth transfers often have a significant impact on the lives of recipients, enabling 1.6 million households to own a property that they wouldn't have been able to otherwise. But with the highest-income families twice as likely to be recipients as the lowest, the benefits are far from evenly distributed. With many givers also changing their behaviour in order to facilitate those transfers, the impacts of transferring wealth are far-reaching."*

Keen to stand on your own two feet whatever the future holds? Get in touch to stay on top of your retirement plan.

[13]Royal London, 2022

Important Information: We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.