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PENSION REFORMS

How the lifetime allowance reduction could impact on your retirement savings

INVESTMENT MATTERS POST-BREXIT
Facing new challenges at every turn to meet long-term objectives

EMPTY NEST, EMPTY WALLET
Parents putting financial health at risk to fund university costs

SAVING FOR A RAINY DAY
Understanding why your lifestyle makes it more relevant and real

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INSIDE THIS ISSUE

Welcome to our latest issue. We hope you enjoy reading this issue as we approach the run-up to another year end and those long hot summer days start to become a distant memory. For many of us, our thoughts are turned to another year that has flown past – and when we talk about financial planning, it is time that is the enemy.

Going back a little further, the Government has introduced some major and comprehensive reforms to the pension rules over the previous few years. One important change, which may have been overlooked by some savers, is the reduction of the lifetime allowance that applies to pension savings. The lifetime allowance is the total amount you can hold within all your pensions without incurring an additional tax charge. Turn to page 06 to read the full article.

We are now living in a more uncertain world. As correlations between asset classes rise, the right strategy is crucial to preserve capital when markets are falling. Add to this the result of the European Union (EU) referendum, which came as a shock to financial markets, and many investors are facing new challenges at every turn. On page 04, we consider what you can do to manage your investments in current markets.

From the old adage of saving for a rainy day to planning for a comfortable retirement, before you can actually define your investing goals you need to ask yourself what you want to achieve. While deciding on the best fund, tax regime, pension or investment is a necessary part of the financial planning process, it's crucial to understand what these mean to you – and your lifestyle makes it more relevant and real. Turn to page 09 to find out more.

The full list of the articles featured in this issue appears opposite.

To discuss any of the articles featured in this issue, please contact us.

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SAVVY INVESTORS

Time to get wrapped up? How to shelter income and capital gains

FOR LONG-TERM INVESTORS, INDIVIDUAL SAVINGS ACCOUNTS (ISAS) ARE A VERY TAX-EFFICIENT WRAPPER THAT CAN HOLD CASH SAVINGS AS WELL AS INVESTMENTS IN STOCKS AND SHARES. SAVVY INVESTORS ARE ALSO ABLE TO SHELTER INCOME AND CAPITAL GAINS.

You can contribute up to £15,240 to an ISA in the 2016/17 tax year. Cash that you withdraw from a flexible ISA can be replaced during the same tax year without counting towards your annual ISA allowance, which is known as 'ISA flexibility'. What sets ISAs apart from other savings and investment accounts is that any interest on cash savings, gains from investments or income from dividends are tax-efficient, although tax-efficiency may now be achievable for some outside an ISA if the income or gains are covered by a dividend allowance, personal savings allowance and Capital Gains Tax (CGT) allowance. You don't have to declare ISAs on your tax return.

ADDED ADVANTAGE

Because of their tax benefits, ISAs can help your savings and investments grow faster over time. Investing your ISA in stocks and shares has the added advantage of helping safeguard you from a potential Capital Gains Tax (CGT) bill in the future. CGT is a tax on the gain you make when you sell or dispose of assets such as investments. It is currently charged at 20% for higher-rate taxpayers on gains made that exceed the yearly tax-free allowance. Currently, the CGT allowance is £11,100.

ADDITIONAL ALLOWANCE

Rules on ISA death benefits introduced in April 2015 allow for the transfer of an extra ISA allowance to the deceased's spouse if they passed away on or after 3 December 2014. If applicable, the surviving spouse can use an additional one-off allowance, which is equal to the value of their partner's ISA savings, as well as enjoying their own usual yearly allowance. An additional permitted subscription (APS) can be used in certain situations.

INHERITANCE TAX

You qualify for the additional allowance whether or not you inherit the actual assets of the ISA. The deceased's ISA assets are distributed according to the terms of the will or intestacy rules, and any Inheritance Tax liability will remain in the usual way (except ISAs qualifying for Business Property Relief, for example, Alternative Investment Market [AIM] ISAs). No actual funds are transferred, and the extra allowance can be made up from your own assets. Also, as well as being married or in a registered civil partnership with the ISA holder, you need to have been living together – if you were separated, either under a court order, Deed of Separation or any other situation that was likely to become permanent, you can't use the additional allowance.

COMPOUNDING EFFECT

Long-term investors who can afford to invest at the start of the tax year rather than at the last minute not only gain a year's performance, but these extra gains will be reinvested in the market until they need the money. Over time, the effect of compounding can be significant. The more you invest, the greater the potential impact of early investing. Likewise, the longer you are investing for, the larger the compounding effect. Also, investing early in the tax year to benefit from compounding is most pertinent not only for those saving for retirement but also for parents investing for their children's future through dedicated Junior ISAs (JISAs). ◂

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

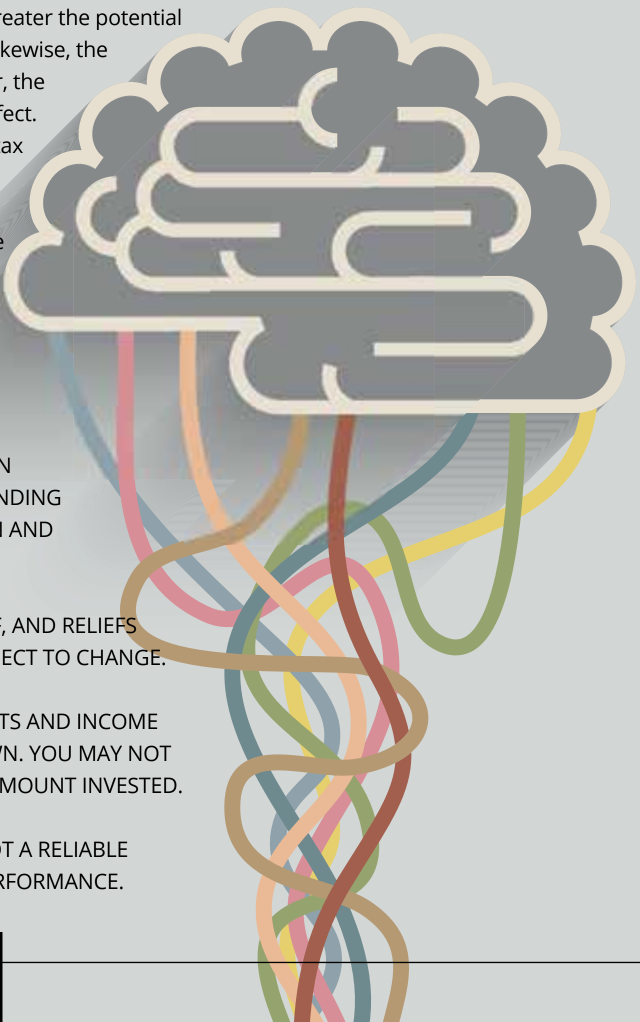
ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

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.

BUILDING A LONG-TERM INVESTMENT STRATEGY

If you are unsure about the suitability of your investments, you should always obtain professional financial advice. For the effects of compounding to work, two things are required: the re-investment of earnings, and time. The more time you give your investments, the more you are able to accelerate the growth potential of your original investment, which takes the pressure off you. To discover how we can help you build a long-term strategy for your investments, please contact us – we look forward to hearing from you.



INVESTMENT MATTERS POST-BREXIT

Facing new challenges at every turn to meet long-term objectives

WE ARE NOW LIVING IN A MORE UNCERTAIN WORLD. AS CORRELATIONS BETWEEN ASSET CLASSES RISE, THE RIGHT STRATEGY IS CRUCIAL TO PRESERVE CAPITAL WHEN MARKETS ARE FALLING.

In addition, the result of the European Union (EU) referendum came as a shock to financial markets, and there is likely to be fallout from this historic event for some time. Many investors are now facing new challenges at every turn. So what can you do to manage your investments in current markets?

MARKET CONDITIONS

With heightened volatility looking as though it could be with us for some time, much will depend on what happens politically and how central banks respond over the coming months. Political uncertainty is likely to continue for some time, particularly in the UK, but also in Europe and further afield. This could affect economies globally, with the UK potentially going into recession by next year.

BETTER EQUIPPED

On a more positive note, the banking sectors globally are more stable than they were back in 2008, with governments and central bank policies being more supportive. Bank capital levels are substantially higher than they were in 2007/08, and UK and European banks are much better equipped to weather volatility.

INVESTMENT STRATEGY

It's important not to react out of panic and where possible to remain calm and take a long-term view. Taking a step back from the short-term noise, thinking about why you invested in the first place and making sure those reasons haven't changed are essential before making any decisions about implementing changes to your current investment strategy.

ROUNDED APPROACH

Successful investment requires the navigation of complex market forces, taking into account economic, political and behavioural factors (as well as company financials). So it's well-advised to take a rounded approach. The single most important thing you can do to mitigate risk is to diversify your portfolio. You may already have different types of investments across different countries, and if that is the case you should be well diversified, with someone making the day-to-day investment decisions for you.

INVESTMENT REASONS

If you actively manage your own investments, you'll probably want to make sure your choices still meet your needs and your original reasons for investing are still valid.

IF YOU ACTIVELY MANAGE YOUR OWN INVESTMENTS, YOU'LL PROBABLY WANT TO MAKE SURE YOUR CHOICES STILL MEET YOUR NEEDS AND YOUR ORIGINAL REASONS FOR INVESTING ARE STILL VALID. YOU SHOULD ALSO CONSIDER TAKING PROFESSIONAL FINANCIAL ADVICE.

You should also consider taking professional financial advice. Some of the questions you might want to ask are: are you suitably diversified to help shelter your money from significant volatility? If you're invested in a riskier single asset class or region, did you deliberately take this approach? Is it still right for you in the current market environment?

3 TIPS TO MAXIMISE YOUR INVESTMENT RETURNS

1. Consider investing in a wider range of asset classes
2. Be more adventurous with your strategic position
3. Take a more flexible approach to different opportunities

RETIREMENT MATTERS

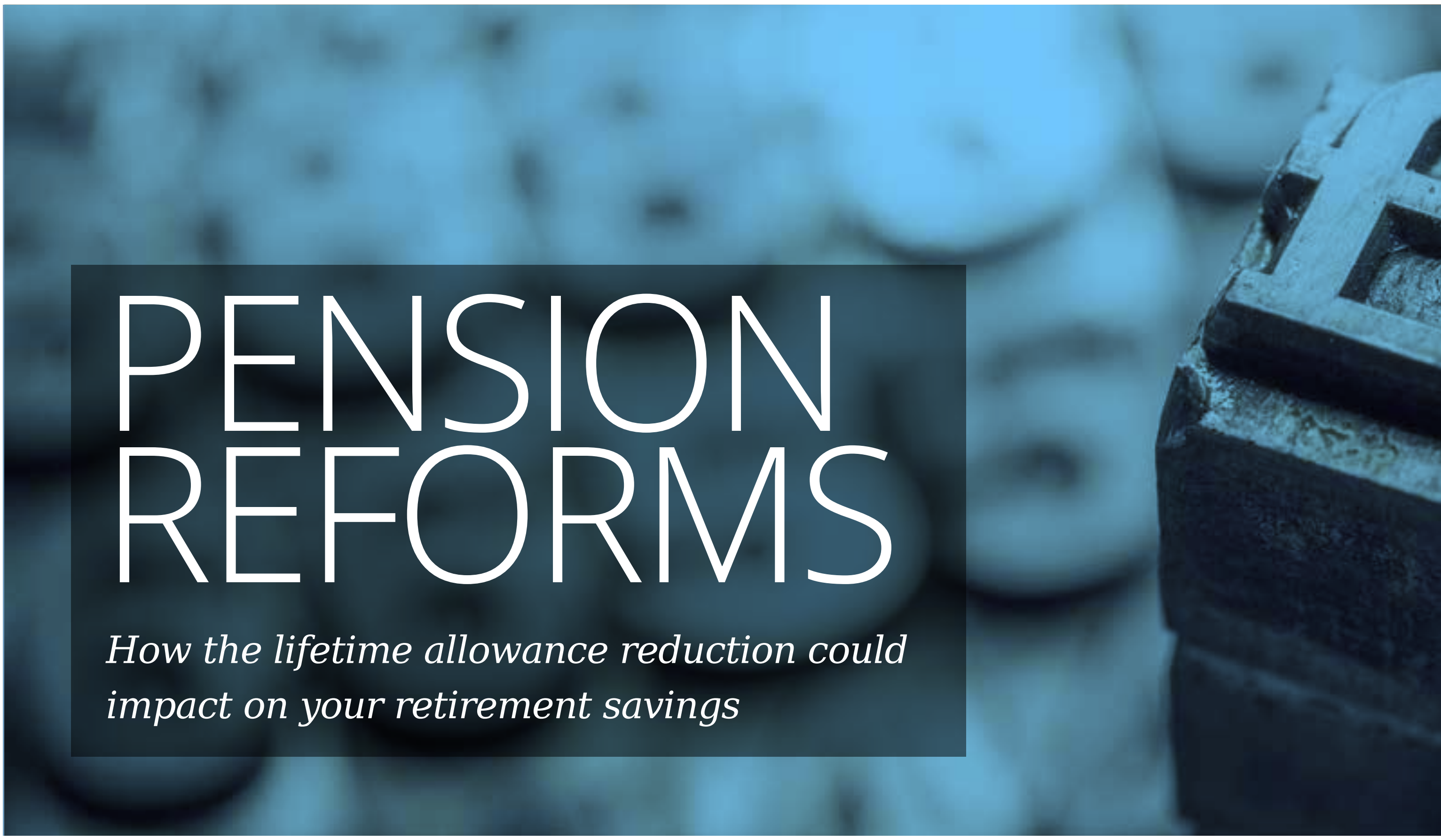
If you're still some years from retirement, your pension investments will have time to recover from any short-term losses. Even if you're near retirement or are already retired and relying on your investments for income, you shouldn't panic. There are things you could do to help shelter yourself from market volatility.

If you're approaching retirement, the most important thing to do is make sure you're in investments that will get your money to where it needs to be by the time you retire – whether that's purchasing an annuity, taking it all out as a lump sum, or keeping it invested and taking a flexible income.

If you're already retired, there are also ways to help protect your money, not just from market volatility but throughout your retirement. ◂

HELPING YOU TO MEET YOUR LONG-TERM COMMITMENTS

With persistently low inflation, ultra-low interest rates, low growth and low returns, some investors may not be feeling the reward potential that heightened risk brings. In a low-yield environment, how can you meet your long-term objectives? To discuss the options available to you, please contact us to discuss your requirements.



PENSION REFORMS

How the lifetime allowance reduction could impact on your retirement savings

THE GOVERNMENT HAS INTRODUCED COMPREHENSIVE REFORMS TO THE PENSION RULES OVER THE PREVIOUS FEW YEARS. ONE IMPORTANT CHANGE, WHICH MAY HAVE BEEN OVERLOOKED BY SOME SAVERS, IS THE REDUCTION OF THE LIFETIME ALLOWANCE THAT APPLIES TO PENSION SAVINGS. THE LIFETIME ALLOWANCE IS THE TOTAL AMOUNT YOU CAN HOLD WITHIN ALL YOUR PENSIONS WITHOUT INCURRING AN ADDITIONAL TAX CHARGE WHEN YOU EXTRACT MONEY FROM THE POT.

INFLATIONARY INCREASES

The Government has indicated that this allowance will increase each year in line with inflation (CPI) but only from 6 April 2018. It was reduced from £1.25m down to £1m from 6 April 2016. If you have more than £1m in your pension pot or are likely to do so at retirement, you can apply to protect it against reductions to the lifetime allowance.

TAKING ACTION

While some people may not be affected by the lifetime allowance, it's important to take action if the value of your pension benefits are approaching, or are above, the lifetime allowance. As pensions are a long-term commitment, what might appear modest today could exceed the lifetime allowance by the time you want to take your benefits.

TAX CONSEQUENCES

Exceeding the lifetime allowance could have significant tax consequences, for example, any lump sum withdrawals you take from the excess amount within your pension are taxed at 55%, and if you retain the excess amount within your pension fund a 25% tax charge is made (and any income taken from the fund will be taxed at your marginal rate of Income Tax).

FIXED PROTECTION

If you could be affected by the reduction in the lifetime allowance, there are some actions you could take to help protect yourself from this potential tax charge. However, if you have accrued pension benefits since 6 April 2016, fixed protection will not be available, so you should obtain professional financial advice to look at the options available to you.

TAKING BENEFITS

If you are already taking benefits from a pension, this will also impact your lifetime allowance. It is important to note that the allowance applies to the value of your pension when you eventually come to draw money from it (and not the value on 6 April 2016). This means that even if your pensions are currently worth well short of the new £1m limit, you could still be affected by the reduction and may need to take action now, even if you think the reduction does not currently really affect you.

HIGH EARNERS

Another pension change which came into effect from 6 April 2016 is a reduction to the annual pension contribution allowance (the amount you can pay into your pension pot each year) for high earners. The allowance of £40,000 will reduce by £1 for every £2 of income received above £150,000 (the threshold for the additional rate of Income Tax). The reduction is limited to £30,000, meaning anyone with income of £210,000 or more will have

a £10,000 annual contribution allowance. Bear in mind that 'income' for this purpose includes employer pension contributions. ◂

ARE YOU IN DANGER OF BREACHING THE ALLOWANCE?

While £1m may sound like a generous sum, it is surprisingly easy to breach this limit, meaning that you could be subjected to a tax bill of up to 55% on some of your pension pot. Whether you're a saver in the middle of your working life or nearing retirement, it's crucial you know if you're in danger of breaching the allowance. If you have any concerns and would like to discuss your situation, please contact us.

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

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

FINANCIALLY EXPOSED

Do you have a financial plan in place to help protect your home?

TAKING OUT A MORTGAGE IS THE BIGGEST FINANCIAL COMMITMENT MANY OF US WILL EVER MAKE, AND HAVING A FINANCIAL PLAN IN PLACE WILL HELP PROTECT YOUR HOME IN THE EVENT THAT YOU CAN'T WORK DUE TO ILLNESS OR ILL HEALTH, OR EVEN YOUR PREMATURE DEATH.

NO LIFE COVER

So it's concerning to see that half (50%) of the UK's mortgage holders have no life cover in place, meaning that 8.2 million[1] people are leaving themselves and their families financially exposed if the unforeseen were to happen.

Scottish Widows' latest protection research also shows that only a fifth (20%) of the UK's mortgage holders have a critical illness policy, leaving many more millions at risk of financial hardship or losing their home if they were to become seriously ill.

UNABLE TO WORK

A third (33%) admit that if they or their partner were unable to work for six months or longer due to ill health or personal injury, they'd be unable to live on a single income. And more than two fifths (43%) of those who couldn't cope with a single wage say they would resort to dipping into their savings in order to survive.

Yet 43% say their savings would last for no more than a couple of months, and 15% don't even know how much they have, meaning they could be relying on backup which doesn't actually exist.

MORTGAGE ARREARS

Just under a quarter (23%) could only afford to pay household bills for a maximum of three months if they or their partner were unable to work, and 23% could make a maximum of just three monthly mortgage payments. Another 15% admit they're not actually sure how long they'd be able to cope with their mortgage payments.

Welfare reforms make the case for financial protection all the more pressing. A quarter (25%) of mortgage holders who say they'd be unable to live on a single income if their partner was unable to work also admit that they'd rely on state benefits to ensure they could manage financially. Changes to Support for Mortgage Interest, which is the only safety net in place for many families if they were unable to pay their mortgage, mean that people now have to wait 39 weeks before receiving this benefit instead of the previous 13 weeks, which could be too late for many if they have no other protection in place. ◂

ARE YOU PUTTING YOURSELF AND YOUR FAMILY AT SIGNIFICANT RISK?

None of us want to think about the worst, but these findings show that there are an alarming number of mortgage holders who are putting themselves at significant risk by failing to arrange cover for the unexpected. Many people believe that they'll be able to rely on the state if the unforeseen happens, but recent cuts to welfare benefits are exacerbating their vulnerability. To review your protection requirements, please contact us – don't leave it to chance.

Source data:

[1] Calculation: YouGov sample of 5,161 respondents, 1,682 of whom are mortgage holders, which equates to 32.6% of the population. Using ONS population data – 50.5 million adults in UK – 32.6% of 50.5 million is 16.46 million. 50% of UK adults don't have life insurance, and this equates to 8.23 million people.

Scottish Widows' protection research is based on a survey carried out online by YouGov, who interviewed a total of 5,161 adults between 28 January and 4 February 2016.

TIME IS OF THE ESSENCE

Start thinking about preparing for any big events as soon as you can

NONE OF US KNOW EXACTLY WHAT LIFE'S GOT IN STORE FOR US, BUT WE KNOW THAT THERE ARE A HANDFUL OF MAJOR EVENTS THAT WE'RE QUITE LIKELY TO ENCOUNTER AT SOME STAGE. THESE INCLUDE SOME OF THE GREAT MILESTONES OF LIFE, SUCH AS BUYING A PROPERTY, GETTING MARRIED, STARTING A FAMILY, BUYING A HOLIDAY HOME OR PLANNING FOR RETIREMENT.

It's essential to start thinking about preparing for any big events as soon as you can. Often this means saving for major expenses that may not yet be in sight but which we know are awaiting us just over the horizon.

READILY ACCESSIBLE SAVINGS

Before you start investing for the medium to long term, initially it's important to keep three to six months' worth of living expenses in a readily accessible cash savings account – don't invest that money! Don't invest any money that you may need to access in a hurry in the event of a short-term emergency.

By investing in stocks and shares, you'll gain access to potential returns that saving in cash alone cannot offer. Of course, there is an inherent risk that some or all investments may not keep pace with cash or may even go down in value, but real risk should be seen as the permanent – not temporary – loss of capital. Saving in cash carries its own risks when low interest rates fail to keep pace with price inflation.

TEMPORARY MARKET SENTIMENT

While investors must accept the short-term fluctuations of markets, those investing for the long-term are usually in a position to ignore day-to-day gyrations in asset values. Over the long run, asset prices follow their fundamental values – either up or down – rather than being affected by temporary market sentiment.

Timing the right moment to enter the market is notoriously difficult. While you may have a lump sum that you'd like to invest, implementing a regime of regular investment might be a lower-risk approach, even though you might forgo the opportunity to invest your money at the bottom of the market when an asset is at its cheapest.

TIMING THE MARKET

Investing regularly reduces the danger of making a one-off investment at the top of a market cycle before asset values fall. At some points, you may have to pay more than if you had made a lump sum investment, but at others you could pay less – unless of course the price of the asset rises (or falls) each and every month onward. By keeping to a regime of regular investment, the emphasis shifts away from timing the market to time *in* the market.

POUND-COST AVERAGING

You also benefit from 'pound-cost averaging' by investing the same amount each month, perhaps through Direct Debit. When the price of an asset is high, you will buy less of it, and when the price is low you will buy more.

The effect of 'pound-cost averaging' means that, on average, the price paid is lower than the average asset price over the period. There is no guarantee that pound-cost averaging

will result in better returns than lump sum investing, but it can help smooth the ups and downs of market volatility.

GENERATING EXTRA RETURNS

The earlier you commit to investing an affordable monthly amount, the longer your money can work in the market. Reinvested gains can themselves generate extra returns, creating the effect of compounding, which, in a growing market, is larger the longer money is invested.

It follows that the nearer to the time when you plan to realise your investments, the less time your money will have remaining to achieve compounded returns. It is worth bearing this in mind when regularly reviewing your investments, which themselves should be updated to take account of any changes in your circumstances or priorities.

PERCENTAGE OF YOUR SALARY

Much as your pension contributions (when a percentage of your salary) will automatically rise in line with any salary increases, it could be worth applying the same principle to the amount you regularly invest. Increasing your Direct Debits will help to ensure your investments can continue to keep pace with your long-term goals.

Failing to increase your regular investment contributions means that, over time, their real value – and the quantity of assets they will buy – will normally fall. To improve the chance of your investments growing over time to meet your future financial goals, make sure you review your monthly contributions regularly so they don't fall behind both inflation and your means. ◂

PRESERVING AND GROWING YOUR WEALTH OVER TIME

By understanding your financial goals, we can proactively advise you on the most appropriate approach to help preserve and grow your wealth over time. Please contact us to review your unique situation.

SAVING FOR A RAINY DAY

Understanding why your lifestyle makes it more relevant and real

FROM THE OLD ADAGE OF SAVING FOR A RAINY DAY TO PLANNING FOR A COMFORTABLE RETIREMENT, BEFORE YOU CAN ACTUALLY DEFINE YOUR INVESTING GOALS YOU NEED TO ASK YOURSELF WHAT YOU WANT TO ACHIEVE.

While deciding on the best fund, tax regime, pension or investment is a necessary part of the financial planning process, it's crucial to understand what these mean to you – and your lifestyle makes it more relevant and real.

TIME HORIZON

The minimum time horizon for all types of investing should be at least five years, and whatever your personal investment goal may be it is important to consider the time horizon at the outset, as this will impact the type of investments you should consider to help achieve your goals.

To make this a reality, you need to ask yourself three main questions: 'What resources are available to me now?', 'What resources will I have in the future?', and 'What will I need to have to achieve my goals?'

WEALTH CREATION

Setting investment goals simply means deciding what you want to do or achieve in a certain timeframe. Setting meaningful financial goals is the basis towards achieving your financial freedom. Goal setting plays such an important and integral part of the wealth creation journey.

Some people may spend a considerable amount of energy and time focusing on their financial situation, but the majority won't have specific financial goals. They may have heard about the importance of goals but probably haven't spent the small amount of time required to really focus on the specifics.

LOGICAL PROCESS

Goal setting is a logical process and can be done in whatever way works best for you. It may sound obvious, but initially write down your goals. Whether you use paper and pencil or your smartphone or tablet to record your thoughts, it is vital to make sure you write your goals down so that you can review them at a later time.

It also makes sense to revisit your goals at regular intervals to account for any changes to your personal circumstances, for example, the arrival of a new member of the family.

ENSURE YOUR GOALS ARE:

- **Specific –** make each goal clear and specific
- **Measurable –** frame each goal so that you know when you have achieved it
- **Achievable –** you need to be able to take practical actions to achieve a goal
- **Realistic –** a goal must be relevant and realistic
- **Timely –** you should assign a timeframe to each goal so you can track progress and achievement

DESIRED LIFESTYLE

So first you need to identify what your desired lifestyle is, then establish how to achieve that plan and maintain the desired lifestyle. It's important to think beyond where you are today and look to the future and visualise the possibilities of living without any financial worries.

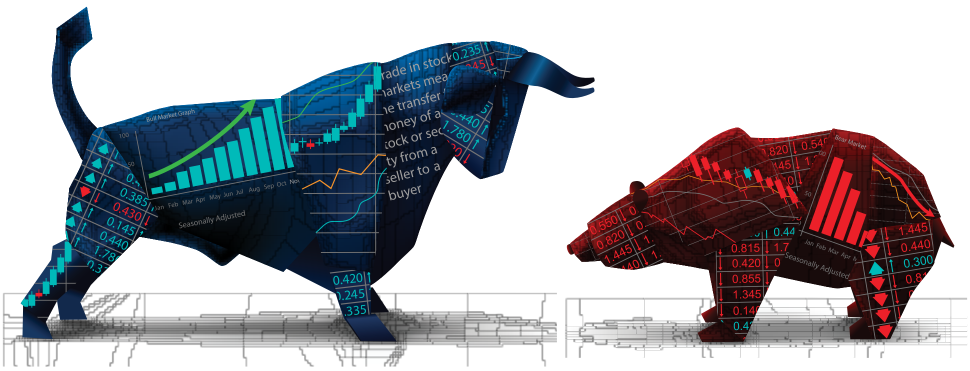
This might mean outlining all the things you want to do in the future, without the risk of leaving it too late or dying with too much. To achieve this, you need to structure your affairs today to provide for the income you'll eventually need while investing in a way that helps to retain the purchasing power of your capital. ◂

ONGOING ADVICE

Working through this process of setting financial goals will help you to define the life you want, and with our ongoing advice we will make the recommendations to show you what can be done to ensure that you live your desired lifestyle. If it's been a while since you took a close look at your financial plans and goals and you would like to review your situation, please contact us.

INVESTING DURING MARKET VOLATILITY

Whether seeking income, growth or both, there are some basic rules to follow



VOLATILE FINANCIAL MARKETS ARE AN INEVITABLE PART OF INVESTING. ON A DAY-TO-DAY BASIS, THE SWINGS IN STOCK MARKET PRICES CAN BE SIGNIFICANT. HOWEVER, OVER THE LONGER TERM, THINGS HAVE TENDED TO SMOOTH OUT, WITH DAILY VOLATILITY HAVING A LOWER IMPACT ON OVERALL PORTFOLIOS.

MARKET FLUCTUATIONS

That said, while this has happened in the past, it may not necessarily happen in the future. In the short term, market fluctuations like we've seen recently can be unnerving and make you 'feel' as if you're losing money. That's why it's crucial at times like this that you focus on staying calm and taking a long-term view, avoiding locking in short-term losses, and making sure you're properly diversified.

While it's true that whenever you invest you need to accept that you could get back less than you paid in, worries during turbulent markets can mean it's easy to take a short-term view and effectively cheat yourself out of a potentially better performance. If you can keep your composure and take a long-term view, you're much more likely to meet your all-important financial goals, as these three golden rules highlight.

KEEP CALM AND TAKE A LONG-TERM VIEW

Why is it so important to take a step back and keep the long term front of mind? Does it really make that much difference? 'Yes' is the short answer. Attempting to time the market can be a high-risk approach, especially when compared to making ongoing regular investments. If you think it could be an opportunity to invest while share prices are lower to potentially make higher returns over the long run, just be mindful that prices may fall even further and that past performance isn't a reliable indicator of future returns.

AVOID LOCKING IN SHORT-TERM LOSSES

During market falls, it's quite likely you'll be tempted to sell some of your investments and keep the money somewhere 'safer'. But if you do, it means you're likely to be selling after markets have already fallen – and, crucially, before they rise again. That means you lock in your loss.

Although it's tempting to take your money out when markets fall, it's not normally a good idea. It is also almost impossible to distinguish between a genuine imminent crisis and a mere market wobble over an event that ultimately proves far less serious than anticipated. As a result, investors who spend too much time waiting for the right moment to invest may miss out on many of the gains.

AS EVER, MAKE SURE YOU'RE PROPERLY DIVERSIFIED

A diversified portfolio and a focus on the long term are often better defences than trying to time the market. Periods of market volatility are a valuable reminder of the importance of diversifying – of spreading your money across different types of investments, geographical locations and industries.

If you're investing in only one or two of these, then you're actually exposing yourself to quite a degree of risk. But if you diversify across investments, it can help you achieve a much better balance between risk and return. It's so important that you regularly check where you're invested – across Individual Savings Accounts, pensions, shares – to make sure you're diversified.

WHAT ABOUT YOUR PENSION SAVINGS?

If you're still some years from retirement, your pension savings will have time to recover from any short-term losses. Even if you're getting nearer retirement or are already retired and relying on your investments for income, you shouldn't panic. There are things you can do to help shelter your pension savings from the worst of any market volatility.

APPROACHING RETIREMENT

If you're getting closer to retirement, make sure you're in investments that will get your money to where it needs to be by the time you retire – whether that's buying an annuity, taking it all out as a lump sum or keeping it invested and taking a flexible income.

MAKE YOUR MONEY LAST YOUR RETIREMENT

If you're already retired, there are ways to help protect your money not just from market volatility but throughout your retirement. ◂

COMPREHENSIVE INVESTMENT SOLUTIONS

Whether you are looking to invest for income, growth or both, we can provide the professional advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals. To find out more information, please contact us.

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YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

UNCHARTED TERRITORY

Importance of not losing sight of your long-term savings goals

THE UK IS ENTERING UNCHARTED TERRITORY AFTER THE EU REFERENDUM, BUT WITH RELATIVELY FEW UNRETIRED PEOPLE BEYOND THE AGE OF 55 HAVING STARTED THEIR RETIREMENT PLANNING IT IS IMPORTANT NOT TO LOSE SIGHT OF YOUR LONG-TERM SAVINGS GOALS. CHANGING SOCIAL, POLITICAL AND DEMOGRAPHIC FACTORS MEAN THAT THE OUTLOOK FOR RETIREMENT FINANCES IN THE UK IS CONSTANTLY EVOLVING.

Worryingly, barely one in three (36%) unretired over-55s had started their retirement planning during Q2 2016 – the lowest percentage since Aviva's Real Retirement Report began tracking this data two years ago, the latest report reveals.

The report, which has tracked personal finances among over-55s before, at and during retirement since 2010, also shows an income dip and rising uncertainty over the economy in Q2 ahead of the UK's vote on its European Union (EU) membership.

INCOME AND SAVINGS

The typical over-55s' (median) monthly income has risen by 11% over the last three years from £1,212 in Q2 2013 to £1,341 in Q2 2016. However, the latest quarterly figure was down from £1,382 in Q1 and £1,419 in Q4 2015.

The dip corresponds with a fall in the percentage of over-55s receiving an income from investments and savings: falling to 25% in Q2 2016, down from 29% a year earlier.

Q2 2016 also saw the highest proportion (12%) of over-55s with no non-pension savings and investments in almost three years. Over-55s' typical savings and investments pot fell for a second successive quarter to reach £12,590.

However, there was a rise in the percentage of over-55s whose savings included a tax-free lump sum from their pension savings. This increased to 16% – the highest level since tracking the data started in Q2 2014 – and is likely to be influenced by the launch of 'pension freedoms' in April 2015.

With incomes and savings squeezed in Q2, monthly spending dropped to £774 – the lowest seen since Q3 2014 (£754).

PLANNING FOR RETIREMENT

When asked whether they had started planning for retirement, just 36% of unretired over-55s had done so in Q2 – the lowest percentage in two years since tracking this data began. While 41% had thought about it but not taken any action, almost one in four (23%) had not even thought about it yet.

Asked to identify the most important personal choices or decisions they face to ensure a happy retirement, the most common response from unretired over-55s was making the most of their retirement finances so they have enough money to fund the remainder of their life (63%). This was more likely to be singled out as an important personal choice than maintaining their health once they retire (59%) and deciding whether to stay in their current home or move to a new property (31%).

Among those who had already retired in Q2 2016, one in four (25%) said budgeting their money has been the most difficult aspect of their retirement so far, making it their most common concern.

Mirroring over-55s' general concerns about making their money last in retirement, 13% who are yet to retire feel more anxious about this as a direct result of the 'pension freedoms' launched in April 2015, up from 10% a year ago.

There is also uncertainty about their options as a direct result of the new pension rules: just 12% feel their retirement plans might be affected by the extra flexibility offered by the pension freedoms, yet almost a third (32%) don't know.

CONFIDENCE IN THE UK ECONOMY

The tracking data shows just 29% of over-55s felt confidence in the UK economy during the first half of 2016 (Q1 and Q2) ahead of the referendum on the UK's European Union (EU) membership, down from 36% in Q4 2015.

There was also growing concern over the threat of rising inflation and the state of the economy, with 28% registering this as a risk to their living standards over the next five years, compared with 22% in Q1 2016.

A separate poll that took place after the 'Leave' announcement found that the percentage of over-55s concerned about their future finances rose to one in four (25%), compared to one in five (19%) before the referendum. ◂

ONE OF LIFE'S CERTAINTIES

Deciding how to make the most of our finances so we have enough money to last in retirement, and then budgeting effectively, are consistently picked out as the most important challenges we face in later life. It means the importance of saving for the future remains one of life's certainties. To ensure that you are fully informed about your situation, please contact us to discuss your requirements.

Source data:

The Real Retirement Report is designed and produced by Aviva in consultation with ICM Research and Instinctif Partners. The Real Retirement tracking series referenced within this report has been running since 2010 and totals 24,791 interviews among the population over the age of 55 years, including 1,193 in May 2016 for the latest wave of tracking data (Q2 2016).

This edition's spotlight on over-45 homeowners examines data from 1,127 owner-occupiers or mortgaged owners in this age bracket, who were interviewed at the same time. For the tracker, a further poll of 737 over-55s was carried out one week after the UK's referendum decision on its EU membership to see how confidence in people's financial futures was affected by the vote to leave.

EMPTY NEST, EMPTY WALLET

Parents putting financial health at risk to fund university costs

WHEN IT COMES TO FUNDING A UNIVERSITY EDUCATION, IT IS PARENTS AND GRANDPARENTS WHO TYPICALLY LOOK TO PROVIDE THE MONEY. BUT EVEN THOUGH THIS MAY BE THE CASE, LAST YEAR'S GRADUATES FROM ENGLISH UNIVERSITIES STILL LEFT WITH AN AVERAGE OF £44,000 DEBT (SOURCE: SUTTON TRUST), WITH SOME PARENTS STILL, ON AVERAGE, EXPECTING THEIR CHILDREN TO LEAVE UNIVERSITY WITH £23,000 DEBT.

Students are closer to the mark, predicting an average debt of £35,000. Students expect, on average, to take 17 years to pay off their debt once graduated; research from the Sutton Trust suggests three in four graduates will be paying off student debts into their 50s.

EMPTY NEST, EMPTY WALLET

While a substantial number of parents (61%) seem willing to help with the financial costs of university, rising to 73% for Londoners and a low of 47% in the South West, a significant proportion (78%) of these will be relying on their own cash savings.

Some 62% of parents say they will use a proportion of their cash savings, while 20% will be putting themselves potentially at financial risk, saying they or their child's other parent will use all or most of their cash savings. 9% of parents said they or their child's other parent would take out a bank loan in their own name to help fund their child's university costs – something that seems particularly drastic – and 8% of parents said they would sell shares or other financial investments.

PARENTS OVERESTIMATE AMOUNT NEEDED FOR REGULAR SAVING IN STOCK MARKET

Most parents look to cash savings to fund their children's university costs, and there is a perception that quite large sums of money are required to invest in the stock market. Parents estimated, on average, that the minimum amount required to invest monthly in an investment saving scheme was £81.51 per month, when in fact the minimum amount required to invest in a children's investment company savings scheme is much less, namely £25. Parents in the 35–44 age bracket overestimated this figure the most (£91.76 per month), and of course it's this group who are likely to have the most time on their side.

The research suggests that many parents massively underestimate the amount of student debt their children will graduate with. Parents are willing to make huge financial sacrifices to help their children through university, and many grandparents are sharing the financial burden.

BANK OF GRANDMA AND GRANDPA

A fifth (20%) of grandparents are contributing or planning to contribute to children's university costs, to the tune of £2,402 on average per year. A quarter (25%) of grandparents are already contributing financially to everyday family expenses, and of these 12% of parents say that their child's grandparents currently contribute financially to holidays, 4% to school fees, and 3% respectively to building projects and childcare, while 2% are contributing to a property deposit.

AN EDUCATION OR A FIRST HOME?

Interestingly, one third of students (33%) said that they had a savings and investment scheme which their families had 'earmarked' for their future. Half of these (51%) wanted the money to go towards their first property, 44% wanted to spend it on university costs and a free-spirited 16% wanted to spend the money on travelling. ◂

WANT TO ASSESS THE OPTIONS AVAILABLE TO YOU?

Current university students may face leaving with massive debts as well as a degree, but parents can act now to ease the financial burden. It's crucial not to be afraid to seek professional advice. We can assist you to get a clearer idea of the opportunities and drawbacks involved in making further education-related choices. If you would like to assess the options available to you, please contact us for further information.

Source data:
The research was conducted by Opinium from 8–16 June 2016 amongst 1,006 UK parents with children aged 13–18 who are planning to go to, or are already at, university, and 1,014 UK full-time students planning on going to, or currently at, university.

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.

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