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YOUR WEALTH SUMMER 2017

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U-TURN ON PROBATE FEES

Ahead of the general election, the government postponed plans for a sharp rise in probate fees. Obtaining a grant of probate is the process by which someone is given authority to deal with the property, money and possessions of a person after they die. It is usually applied for by the executor of a Will or someone acting on their behalf.

Currently, probate is free if the deceased's estate is valued at less than £5,000. For estates above that figure, a grant of probate costs £155 if you use a solicitor, or £215 if you apply yourself.

WHAT THE CHANGES WOULD HAVE MEANT

Under the proposal, whilst estates under £50,000 would be free, at the other end of the scale a £2m estate would be charged as much as £20,000. On an estate valued at £300,000 the fees would be £300.

The proposals, which had been earmarked to reduce the net annual cost of running the court system, had attracted criticism from MPs, peers and the media. It will now be up to the new government to decide whether the plans should go ahead, and if so, in what form.

WHAT WILL BABY-BOOMERS DO WITH THEIR WEALTH?

Although it has been suggested many grandparents are spending the kids inheritance, research[1] shows that they are much more likely to be focused on passing money on to the next generation. Indeed, fears have been voiced that they are often putting the needs of other family members before their own entitlement to a financially-secure retirement.

The last few years have seen property values soar, meaning that many older people have built up considerable wealth in their homes. In addition, theirs is the generation that received loan-free education and many also benefited from generous final-salary pension schemes.

THE FINANCIAL PROBLEMS FACED BY THE YOUNG

Young people in the UK are facing a lot of financial pressure. Wages have been slow to rise, inflation has been climbing too. The jobs market comprises more low-paid, low-skilled jobs than it did a few years ago. There's far less economic certainty for the current generation, meaning it's far more difficult for them to buy a property or save enough to enjoy a comfortable retirement.

DISPELLING THE MILLENNIAL MYTHS

It's often been said that Millennials change jobs frequently and aren't sufficiently engaged with savings or pensions. However, the facts don't bear this out. A report from the Resolution Foundation found that Millennials are staying with their employers for longer than previous generations, focusing on job security rather than chasing pay rises.

Research[2] has also shown that in the past three years, more Millennials than their counterparts

in Generation X, those born between the 1960s and early 1980s, have increased their pension contributions. In addition, HMRC figures for 2016 showed that 2.7m under-35s were contributing to a personal pension plan, the highest number since 2001. The advent of auto-enrolment is likely to be a positive contributing factor here.

SHARING WEALTH AMONGST THE FAMILY

Baby-boomers are increasingly aware of the difficulties facing their children and grandchildren, and worry about how they are going to get by with less property wealth, smaller pensions and a higher cost of living. Many grandparents want to give their money away during their lifetimes to help their families and to reduce the amount of inheritance tax that might otherwise be payable on their estates.

If you'd like to discuss how to plan your finances in a tax-efficient way so that you enjoy your later years whilst helping family members get a good start in life, do get in touch.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

[1]Royal London, 2017
[2]Chase de Vere, 2017

BEREAVEMENT BENEFITS – NEW CHANGES LEAVING FAMILIES WORSE OFF

If you are married or in a registered civil partnership and your partner dies, there are bereavement benefits available to you to help ease the financial burden.

From 6 April, changes have been implemented to the bereavement benefit system that could leave grieving families as much as £12,000 worse off a year.

Under the old system, a £2,000 tax-free Bereavement Payment was made on the death of a spouse or civil partner. Where there were children involved, a Widowed Parent's Allowance of up to £487.71 a month would also be payable to help with household costs and childcare. This entitlement is payable for a maximum of 20 years; various conditions apply. Where there were no children, those aged between 45 and pension age received a Bereavement Allowance of £112.55 per week for only 52 weeks.

THE NEW SYSTEM

Under the new rules, if you were to lose your spouse or civil partner, you will be entitled to a Bereavement Support Payment (BSP), a tax-free lump sum of £2,500 if there are no children, or £3,500 if there are. In addition, a monthly tax-free payment of £100 will go to those without children, whilst those with children will receive £350 per month as a tax-free payment. However, in both cases this is only payable for 18 months, rather than until the youngest child left school as happened under the old system. Families that need longer-term support will be moved onto the new Universal Credit system.

While some people will receive more money due to these changes, many others will end up with far less than they would have received under the old system. The new system only applies to deaths from 6 April 2017, so anyone receiving benefits under the old system will keep their benefits if they continue to qualify. BSP is not paid to the bereaved who were just living together, even those with children.

IS YOUR PENSION PLANNING ON TRACK?

We'd all like to look forward to a comfortable retirement. However, we all lead increasingly busy lives and this often means that tasks like reviewing pension arrangements can take a back seat. Sadly, many people don't realise until they come to retire that they don't have sufficient money saved to enjoy life to the full.

With the onus on all of us to provide for our later years, it pays to make time to check up on how much you'll have to live on in retirement. If there's likely to be a shortfall in your savings, the earlier you spot it, the easier it should be to fix.

The state pension has recently undergone changes, so you might want to request a state pension statement so that you know what your entitlement is likely to be. You may also have other savings, investments, property, or pensions you have built up in past employment, all of which could be used to provide an income in retirement.

FUNDING A SHORTFALL

If you find yourself facing a likely shortfall, there are various things you can do to address it. The longer you have before retirement, the more time you'll have to boost your pension pot. If you're employed and haven't joined your workplace scheme, you should think about doing so. By 2018, all employers will have to provide a pension that they, as well as you, contribute to unless you opt out. If you're already a member of a scheme, you could consider increasing your contributions to improve your pension outlook.

In addition, you can set up your own personal pension plan. This could, for example, be a stakeholder plan or a Self-Invested Personal Pension (SIPP).

More and more people are realising that it's never too late to act on their retirement planning, or too early to put their pension arrangements on track. If it's been a while since you assessed your pension plans, why not contact us for a review?

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FRAUDSTERS NEED JUST THREE DETAILS TO STEAL YOUR IDENTITY

A third of British adults who have online profiles, such as Facebook, also include their full names, address and date of birth, according to a YouGov survey. This could be making them likely targets for identity theft.

Even if your profile doesn't include your birthday, if well-wishers post birthday messages referring to your age, fraudsters will have enough information to steal your identity, access your accounts, take out loans, obtain credit cards and mobile phones using your name and details.

HOW THIEVES CAN IMPERSONATE YOU

Armed with your name and date of birth, fraudsters can track down where you live. Using online directories, they can piece together all the details they need to be able to pass themselves off as you. Their next move is usually to obtain fake identification documents created in your name.

Once the account-opening formalities are complete, the fraudsters' next step is to subvert the documents sent to your address. That's why thieves often target those living in blocks of flats where they can more easily intercept the post.

KEEPING YOUR PROFILE SAFE

We all need to be careful with our personal data online, and be aware that fraudsters are continually on the look-out for the details they need to steal a person's identity. It makes sense to adjust your Facebook profile so that only you can see your date of birth and other personal details. Remember, revealing your date of birth can be a big mistake, as it can be the key that means your other personal data can be more easily accessed.

If you want to check your Facebook privacy setting, you can run a quick health check by tapping the padlock on the right of the home screen and selecting 'Run Privacy Check Up'. This will allow you to see the privacy setting you have in place on posts, apps and your profile.

THE 17 MILLION 'SANDWICH' GENERATION

If you are feeling the financial pressure of looking after your elderly parents, whilst meeting the demands of raising your family, you aren't alone. Today it's estimated that up to 17 million people[1] are finding themselves part of what's increasingly becoming known as the 'sandwich' generation.

We're all living longer and often starting families later in life which means that more of us are facing these twin demands on our time and energy and there could be implications for our finances too.

CONSIDERING YOUR FUTURE

Although the sandwich generation earns more than other age brackets, it tends to have less capacity to save. Life may be said to begin at 40, but it also appears to be the age at which our financial burdens are at their heaviest.

However, it's important to remember that some people aged 45 to 54 could be facing no more than 15 more years of employment before they're hoping to retire, so it's vital to keep track of how your pension pot is doing, and save as much as possible to ensure a comfortable retirement.

Many parents of this age are facing the prospects of their children going to university and needing help with the fees, or older children wanting money for a deposit for a first home. Whilst many are hoping that their own parents will leave them a reasonable inheritance, with life expectancy increasing and care costs rising year on year, this is by no means a foregone conclusion.

Finding yourself squeezed in this way, having to juggle work and caring responsibilities can be stressful. There can be many calls on both your time and your cash, so it's important not to lose sight of your own future financial security.

A financial review will help you plan your finances and think about your retirement. There are many tax-efficient ways to save and invest for a secure financial future, so if you'd like some advice, get in touch today.

[1]Aviva, 2017

AGE-APPROPRIATE INVESTMENT – WHAT DOES THAT MEAN FOR YOU?

It's often said that age is only a number, but just as our taste in clothes and music change as we mature, we may need to revisit our savings and investment strategy at different stages of our lives.

In your **20s** you are starting your career, may be paying back student loans or saving as hard as you can for the deposit on your first home. Investing at an early age, rather than keeping all your spare cash in an account that pays low rates of interest, can be a good long-term strategy. Plus, there is plenty of time to ride out any short-term ups and downs in the stock market. You can make use of your annual ISA allowance (up to £20,000 for the 2017–18 tax year), meaning that your investments will be free of income and capital gains tax.

In your **30s**, you are likely to have more financial obligations, like a home and a family. This can often be a challenging time, but it's important not to lose sight of important financial objectives for your future, like investing for a child's education or building up a sizeable fund for your retirement.

YOUR MIDDLE YEARS

By the time you reach your **40s**, retirement can still seem a long way off, but you could be approaching your peak earnings years, so maximising your pension contributions and taking advantage of your tax-free ISA allowance are both good ways of investing in your future.

The new pension regulations introduced in 2015 mean that many people in their **50s** could be considering retiring at age 55. If that's the case, you should consider the investment options that will be available; you may, for instance, change your investment strategy from one that concentrates on growth to one that focuses on producing income.

Not so many years ago, reaching your **60s** would have meant an often-abrupt end to your working life. However, nowadays many more people are working well into their 60s and even 70s. What you may want to revisit is your attitude to risk. You may be more concerned than you were in your younger days about protecting your funds from the ups and downs of the stock market and may want to opt for less risky investments.

If you're in the fortunate position of having sufficient funds in retirement for your own use, you may want to invest part of your assets for the benefit of younger members of your family.

Whatever your age and investment aim, we can offer advice that's tailored to your circumstances.

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VCT ASSETS UNDER MANAGEMENT RISE

Venture Capital Trusts (VCTs) have increased in popularity as investment vehicles over the last five years. The total amount of new investment in VCTs in the 2016–2017 tax year was £542m – the second highest annual total on record.

This surge in popularity is a reaction to recent tax changes. The lowering of the pension Lifetime Allowance, the tax-free dividend allowance cut due in 2018 and the new rules relating to buy-to-let property investments, have all led high earners to look for alternative forms of investment.

VCTs offer tax-free income, and in an era of low interest rates this has proved attractive to many investors. However, they come with a higher risk profile than a standard investment trust. They invest in very small companies that are in their infancy and are looking for investors to provide money to help them develop their business.

VCTs offer an income tax rebate of up to 30%, and if held for five years, any gains made will be free from capital gains tax. Given that many new businesses fail to get off the ground, investors need to be aware of the very high risks involved.

The value of investments and income from them may go down. You may not get back the original amount invested.

Some funds will carry greater risks in return for higher potential rewards. Investment in smaller company funds can involve greater risk than is customarily associated with funds investing in larger, more established companies. Above average price movements can be expected and the value of these funds may change suddenly