

# UNDERSTANDING THE RISING IMPACT OF INHERITANCE TAX

EXPLORING STRATEGIES TO SECURE YOUR  
FAMILY'S FINANCIAL FUTURE



#### MAXIMISING RETURNS

The power of reinvesting dividends for long-term growth

#### WHO PAYS FOR LONG-TERM CARE?

Ensure you're well placed to fund any future care needs

#### A SAFETY NET FOR UNCERTAIN TIMES

How would you pay your bills if you couldn't work?

#### Bailey Financial Services

Slater House • Meadowcroft Business Park • Pope Lane • Preston • Lancashire • PR4 4BA  
T: 01772 750055 • E: [mail@bailey-fs.co.uk](mailto:mail@bailey-fs.co.uk) • W: [www.bailey-fs.co.uk](http://www.bailey-fs.co.uk)

Bailey Financial Services is a trading style of Bailey Financial Services (Preston) Ltd which is authorised and regulated by the Financial Conduct Authority



# INSIDE THIS ISSUE

**Welcome to our latest issue.** The amount of Inheritance Tax (IHT) paid by families has dramatically increased over the past decade, increasing from £3.1 billion in the 2012/13 tax year<sup>[1]</sup> to £7.5 billion in the 2023/24 tax year<sup>[2]</sup>. This rise is attributed to growing asset values and stagnant IHT thresholds, coupled with many families delaying their planning. On page 06, we look at how to maximise IHT allowances, strategic planning to reduce IHT, tax-efficient gifting and transfers, utilising pensions for IHT efficiency and additional strategies for reducing IHT.

Dividends represent the portion of a company's profits distributed to its shareholders. Although often underestimated, reinvesting dividends is a formidable strategy, harnessing the power of compounding to deliver substantial growth over time. On page 04, we consider how this effect means your investment can grow even if a share or the broader stock market shows minimal appreciation or decline.

Many people prefer to avoid the subject of long-term care. Most find it hard to contemplate going into a care home when they are older, but many will do so eventually. However, planning for these potential expenses is important before they become urgent. The NHS, while a cornerstone of healthcare in the UK, only covers care costs in specific circumstances, primarily when related to medical health needs. Turn to page 11.

In today's unpredictable world, safeguarding financial stability is more crucial than ever. Many of us would struggle to keep up with our essential outgoings, such as mortgage and rent, if we lost an income due to illness or an accident. Whether you're employed or self-employed, income protection is a long-term insurance policy designed to ensure you receive a regular income until you either retire or are fit to return to work. Turn to page 10 to find out more.

A complete list of the articles featured in this issue appears opposite.

This issue was published before the Chancellor, Rachel Reeves, delivered the Autumn Budget Statement 2024 on 30 October. In our upcoming issue, we'll provide comprehensive coverage of all the key announcements and analyse their potential impact on your finances.

## READY TO TAKE CHARGE OF YOUR FINANCIAL DESTINY?



Whether you're dreaming of a comfortable retirement, eager to invest in your future or aiming to protect your wealth, we're here to support every step of your financial journey. Contact us today to discuss your goals for a financially secure and vibrant future. Remember, your path to financial success starts with one bold move.

### Source data:

[1] <https://www.gov.uk/government/statistics/inheritance-tax-statistics-table-121-analysis-of-receipts>

[2] <https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk/hmrc-tax-receipts-and-national-insurance-contributions-for-the-uk-new-annual-bulletin#inheritance-tax>

# C O N T E N T S



06

03

## HOW DOES PENSION CONSOLIDATION WORK?

Pensions can be confusing, but there is an alternative way to help keep on top of them

04

## MAXIMISING RETURNS

The power of reinvesting dividends for long-term growth

05

## STAY FOCUSED ON YOUR RETIREMENT GOALS

Identifying any potential financial gaps and bridging these gaps before it's too late

06

## UNDERSTANDING THE RISING IMPACT OF INHERITANCE TAX

Exploring strategies to secure your family's financial future

08

## HAVE YOU HAD A RETIREMENT CONVERSATION?

Many people do not engage in crucial conversations regarding the lifestyle they envision

10

## A SAFETY NET FOR UNCERTAIN TIMES

How would you pay your bills if you couldn't work?

11

## WHO PAYS FOR LONG-TERM CARE?

Ensure you're well placed to fund any future care needs

12

## BUILDING A DIVERSIFIED INVESTMENT PORTFOLIO

Why it's imperative to consider your objectives and attitude towards investment risk

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. Past performance is not a reliable indicator of future results. The Financial Conduct Authority does not regulate tax advice, Inheritance Tax planning, estate planning, Will writing or Cashflow Modelling.





# HOW DOES PENSION CONSOLIDATION WORK?

PENSIONS CAN BE CONFUSING, BUT THERE IS AN ALTERNATIVE WAY TO HELP KEEP ON TOP OF THEM

In today's fast-paced world, many individuals have multiple pension plans collected over their working life. Whether through changes in employment or setting up personal pensions as a self-employed professional or contractor, managing these pensions can become challenging. Not only does this involve significant administrative effort, but the financial implications of juggling numerous plans are also considerable. Some pension schemes may suffer from uncompetitive pricing and underperforming investments, eroding retirement savings.

## STREAMLINING YOUR FINANCES

One of the primary motivations for consolidating pensions is the simplification of managing your finances. When you have several pensions, keeping tabs on each one's investment performance, risk profile and asset allocation becomes a complex chore. Add to this the various charges associated with each pension, and the task grows more challenging.

For individuals with limited time or expertise, consolidating pensions into a single, more manageable pot could be a sensible option. Doing so may streamline your financial management and reduce the administrative fees that can reduce returns, especially if your pensions include outdated charging structures.

## EVALUATING COSTS AND PERFORMANCE

While consolidating your pensions can potentially save on fees, it's equally important to consider the investment performance of each fund. Some pensions may be underperforming, and transferring to a scheme with better growth potential could be beneficial. However,

comparing charges and performance is not straightforward and requires professional advice to assess the best action.

## UNDERSTANDING THE POTENTIAL PITFALLS

Despite the advantages, pension consolidation has its risks. Consolidating could mean forfeiting valuable benefits and guarantees. For example, some pension plans offer an enhanced pension commencement lump sum, allowing more than the standard 25% tax-free withdrawal. Others might have a protected pension age or guaranteed annual returns, providing a safety net regardless of market conditions.

Additionally, older schemes may offer favourable annuity rates or built-in life insurance. These elements are not always easily identifiable, underscoring the importance of a thorough professional financial review to avoid losing valuable benefits.

## MAKING INFORMED DECISIONS

Deciding to consolidate your pensions is a significant decision that should not be taken lightly. The funds accumulated over the years

could represent a substantial portion of your retirement income. Therefore, understanding all your options and their potential impacts on your savings is crucial for ensuring a financially secure future. With the right decisions, pension consolidation could lead to a more comfortable retirement for you and your family. ◀

## NEED HELP NAVIGATING THE COMPLEXITIES OF PENSION MANAGEMENT?

If you're considering pension consolidation and want to ensure you make informed, confident decisions regarding your financial future, contact us today for expert guidance tailored to your unique circumstances. Let us help you navigate the complexities of pension management with peace of mind.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

# MAXIMISING RETURNS

## THE POWER OF REINVESTING DIVIDENDS FOR LONG-TERM GROWTH

### Dividends represent the portion of a company's profits distributed to its shareholders.

When you own shares in a company that declares a dividend, you receive a share of those profits. Dividends are pivotal in enhancing long-term stock market returns, offering a reliable income stream that can help mitigate short-term stock price volatility.

**Although often underestimated**, reinvesting dividends is a formidable strategy, harnessing the power of compounding to deliver substantial growth over time. This effect means your investment can grow even if a share or the broader stock market show minimal appreciation or decline.

A consistent stream of growing dividends is invaluable for income-focused investors. However, dividends are also a significant source of returns for any investor, regardless of income needs. By reinvesting dividends, you can expand your investment portfolio by acquiring additional shares or units, positioning yourself to benefit from future market growth.

#### COMPOUNDING EFFECT

When investing in funds, those who do not require immediate income can opt for accumulation units instead of income units. Accumulation units automatically reinvest dividends, converting income into growth and enabling the compounding of returns. This approach can help create a more stable core for your portfolio, especially compared to funds focused on growth or specialised sectors.

Investors can effectively enhance portfolio resilience and long-term performance by reinvesting dividends via accumulation units. For instance, consider an investor who holds shares

in a company with a history of paying steady dividends. By reinvesting these dividends, the investor benefits from share price appreciation and the accumulation of additional shares, which enhances their overall return.

#### BENEFITS FOR INVESTORS

For those focusing on building long-term wealth, reinvesting dividends offers a proven approach to growth. It enables investors to expand their shareholding continuously without needing additional capital. This strategy proves especially advantageous in bull markets, as the value of reinvested dividends rises alongside stock prices, magnifying returns.

Moreover, many investment platforms offer automatic dividend reinvestment options, simplifying the process and ensuring that portfolios grow steadily without requiring constant oversight. This convenience allows investors to concentrate on their broader investment strategy while reaping the benefits of compounded growth.

#### STRATEGIC CONSIDERATIONS

While the advantages of reinvesting dividends are clear, investors must consider their unique financial goals and requirements. Taking dividends as cash might be more appropriate for individuals seeking regular

income. However, reinvesting dividends is an approach worth exploring for those who can afford to forgo immediate income in favour of future gains.

For example, younger investors with a longer time horizon can benefit significantly from reinvesting dividends, as they have the luxury of time to allow compounding to work its magic. Conversely, retirees or those nearing retirement might prefer a balanced approach, reinvesting part of their dividends while taking some as cash to meet their income needs. ◀

#### ARE YOU READY TO DISCUSS BUILDING A FINANCIALLY SECURE FUTURE?

i

Embracing the strategy of reinvesting dividends requires patience and focusing on long-term gains, but the potential rewards are substantial. This approach promises a financially secure future, leveraging the power of compounding to work in your favour. For further insights and personalised advice on how this strategy can fit into your financial plans, please contact us today.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE.



# STAY FOCUSED ON YOUR RETIREMENT GOALS

IDENTIFYING ANY POTENTIAL FINANCIAL GAPS AND BRIDGING THESE GAPS BEFORE IT'S TOO LATE

**Retirement is a milestone we all look forward to – a time of relaxation**, free from the daily grind of work and financial stress. Achieving a comfortable retirement requires thoughtful planning and foresight. While life may present unforeseen challenges, particularly concerning health, you can take proactive steps to bolster your financial resilience and manage the unexpected.

**Regular financial planning** is key to assessing your current situation, identifying potential financial gaps and taking measures to bridge them before it's too late. Should you find yourself lacking the time or expertise to navigate this journey alone, the insight of a professional financial adviser could prove invaluable in crafting your ideal retirement plan.

## UNDERSTAND YOUR UNIQUE NEEDS

The transition from a working lifestyle to retirement brings significant changes. You will no longer receive a monthly salary or face the daily commute. You might have paid off your mortgage, freeing up time and resources for leisure. Yet, with more time on your hands, the costs associated with leisure activities might increase, and inflation remains a constant factor to consider. Recent upheavals, such as surging energy prices, have highlighted how external shocks can disrupt even the best-laid plans.

## CONSIDER LONG-TERM FINANCIAL SCENARIOS

As you age, the potential for long-term care costs becomes more apparent and essential to include in your financial planning. A robust plan encapsulates your aspirations, anticipates potential hurdles and prioritises your retirement necessities. Cash flow planning provides a solid foundation for broader financial strategies,

allowing you to stress-test various scenarios like fluctuating living costs, inflation, investment growth and interest rate changes.

## ADAPT YOUR RETIREMENT PLANNING STRATEGY

Retirement planning requires flexibility and periodic reviews to accommodate personal and external changes. There's no universal strategy for retirement; what works for one person might not suit another. It's crucial to contemplate your required income, desired activities and the degree of risk you're willing to accept. An annuity offering a guaranteed lifetime income might be ideal for those adverse to investment risks. Conversely, a drawdown approach could be more suitable if you prefer flexibility and can tolerate some level of investment risk. Often, a blend of both may serve your needs best.

## SEEK EXPERTISE FOR TAILORED SOLUTIONS

Professional financial advice can tailor a bespoke plan that remains adaptable over time, ensuring it meets your evolving goals. Retirement is a significant life stage demanding careful consideration. Financial advisers can assist in identifying and prioritising your objectives, assessing your risk tolerance and formulating a long-term strategy that aligns with your goals. Regular reviews are crucial to keep your plans aligned with your objectives.

## KEEP REVIEWING YOUR FINANCIAL PLAN

Regular reviews are essential even if you have a solid financial plan in place. Life changes, aspirations shift and external factors like the financial climate evolve and will influence your retirement strategy. Ensuring your plan remains current and relevant is vital to your financial success. With numerous options available today, it may be overwhelming, yet a comprehensive financial review can help identify the most appropriate path for you. ◀

## READY TO UNLOCK THE POTENTIAL OF A FULFILLING RETIREMENT?

Ensure your golden years are as rewarding as you've always envisioned. Don't leave your future to chance – contact us today to discuss your retirement plans and explore your options.

i

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.



# UNDERSTANDING THE RISING IMPACT OF INHERITANCE TAX

## EXPLORING STRATEGIES TO SECURE YOUR FAMILY'S FINANCIAL FUTURE

**The amount of Inheritance Tax (IHT) paid by families has dramatically increased over the past decade**, increasing from £3.1 billion in the 2012/13 tax year<sup>[1]</sup> to £7.5 billion in the 2023/24 tax year<sup>[2]</sup>. This rise is attributed to growing asset values and stagnant IHT thresholds, coupled with many families delaying their planning. An additional IHT allowance was introduced in 2017, allowing some families to pass on more assets without incurring IHT, yet the criteria for qualification can be complex.

### WHAT IS INHERITANCE TAX (IHT)?

IHT is a tax levied on the transfer of wealth, typically paid by the estate of a deceased individual, but it can also apply during a person's lifetime. Your estate includes all property, possessions, money and other assets. If the value of your estate exceeds the nil rate band at the time of death, the excess is subject to IHT, generally at 40%. IHT is usually not applicable if everything is left to a spouse or registered civil partner. For the 2024/25 tax year, the IHT nil rate band is set at £325,000.

### MAXIMISING IHT ALLOWANCES

Married couples and registered civil partners have the option to transfer any unused portion of their IHT nil rate band to the surviving partner, effectively doubling the threshold to £650,000. In addition, the 'residence nil rate band' introduced in 2017 can increase an individual's IHT allowance if their main residence is passed on to direct descendants. This can potentially raise the overall IHT allowance to £500,000 per individual or £1 million per couple.

### STRATEGIC PLANNING TO REDUCE IHT

The residence nil rate band gradually diminishes by £1 for every £2 that the estate exceeds £2

million, becoming unavailable for estates valued over £2.35 million. An up-to-date Will is crucial to effectively manage IHT liabilities, as older Wills may contain trusts that impact the nil rate bands. Some individuals may postpone wealth transfer until death, but gifting during their lifetime can be more tax-efficient.

### TAX-EFFICIENT GIFTING AND TRANSFERS

Tax-efficient gifts (tax year 2024/25) currently include annual exemptions of £3,000, wedding or registered civil partnership gifts up to £5,000 for a child, £2,500 for a grandchild or £1,000 for others, and gifts from regular surplus income. Small gifts of up to £250 per person annually are also exempt, provided no other gifts are made to that individual, which takes the total above £250. Gifts not covered by exemptions are either 'potentially exempt transfers' or 'chargeable lifetime transfers,' which require surviving seven years to be out of the estate and which may incur immediate IHT.

### UTILISING PENSIONS FOR IHT EFFICIENCY

Pensions can also facilitate tax-efficient wealth transfer. Should you pass away before age 75, benefits left in a money purchase pension can generally be transferred tax-free. If death



occurs post-75, these benefits are taxed at the beneficiary's marginal Income Tax rate. It may be prudent to draw retirement income from other sources, preserving pension funds for inheritance purposes.

**ADDITIONAL STRATEGIES FOR REDUCING IHT**

Other IHT reduction methods include establishing trusts, exploring specialist investment vehicles and considering whole-of-life insurance policies written into an appropriate trust. However, the intricacies of these options highlight the importance of seeking professional financial advice early on. Early planning significantly enhances the ability to leave a legacy that meets your family's specific needs. ◀

**READY TO TURN YOUR LEGACY PLANS INTO REALITY?**

Don't just leave a gift, leave a legacy. If you're ready to explore strategies for reducing IHT liabilities and securing your family's financial future, contact us for personalised advice tailored to your unique situation. Let us help you turn your legacy plans into reality.



**Source data:**

- [1] <https://www.gov.uk/government/statistics/inheritance-tax-statistics-table-121-analysis-of-receipts>
- [2] <https://www.gov.uk/government/statistics/hmrc-tax-and-nics-receipts-for-the-uk/hmrc-tax-receipts-and-national-insurance-contributions-for-the-uk-new-annual-bulletin#inheritance-tax>

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE.

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX AND TRUST ADVICE AND WILL WRITING.



**IHT IS A TAX LEVIED ON THE TRANSFER OF WEALTH, TYPICALLY PAID BY THE ESTATE OF A DECEASED INDIVIDUAL, BUT IT CAN ALSO APPLY DURING A PERSON'S LIFETIME. YOUR ESTATE INCLUDES ALL PROPERTY, POSSESSIONS, MONEY AND OTHER ASSETS.**







# HAVE YOU HAD A RETIREMENT CONVERSATION?

MANY PEOPLE DO NOT ENGAGE IN CRUCIAL CONVERSATIONS REGARDING THE LIFESTYLE THEY ENVISION

As we approach one of life's most significant transitions - retirement - many people do not engage in crucial conversations about the lifestyle they envision or assess whether they're on track to achieve it. Recent research highlights that half of those aged 55 and over have not discussed their desired retirement lifestyle with a partner or loved one<sup>[1]</sup>.



Moreover, 53% of this age group have not considered whether they have the financial means to sustain their retirement dreams. Interestingly, the younger age group of 18-34-year-olds seems more open to discussing retirement, with only 43% having never broached the subject.

#### BREAKING THE SILENCE ON FINANCIAL MATTERS

Conversations about key financial matters remain taboo among those over 55. Over 40% have never discussed the location of essential documents like bank accounts, insurance policies and Wills with loved ones.

This reticence contrasts sharply with the 'loud budgeting' trend popular among younger generations, where transparency about financial goals and spending habits is common. Across the UK, many remain silent on financial matters: a third of people have never discussed their household budget and 41% have never discussed their short-term financial objectives.

#### BENEFITS OF FINANCIAL DIALOGUE

Discussing finances and planning for the future may be uncomfortable, but aligning with loved ones on shared goals is crucial. Engaging in these conversations is particularly beneficial for older generations, strengthening relationships and providing practical advantages. Talking about money can facilitate budget planning or ensure mutual understanding of future wishes, such as health care preferences in case of illness or incapacity.

#### SHARING FINANCIAL INFORMATION

It's wise to share key financial details with trusted individuals, like the location of important documents. This proactive approach ensures preparedness for future needs. While

initiating these discussions may seem daunting, they are essential for effective short- and long-term planning. Understanding whether you're on track to meet your goals or need to adjust your plans is vital.

#### RETIREMENT GOALS AND TIMELINES

It's essential to discuss when and how you plan to retire, especially with your partner. These discussions should cover whether you aim to retire simultaneously and what activities you wish to pursue. Understanding each other's expectations regarding daily expenses, travel and hobbies will clarify the savings required for your retirement dreams.

#### LOCATING PENSION POTS

You and your loved ones have likely accrued multiple pension pots from various employers. Discussing past employment and pension benefits can motivate you to locate and consolidate these pensions. Keeping track of your pensions and savings is fundamental to informed retirement planning.

#### NOMINATING BENEFICIARIES

Most pensions don't form part of your estate, meaning your Will doesn't cover them. Instead, you can nominate beneficiaries through your pension provider. Discussing your nominations with loved ones can prevent future disagreements and clarify your intentions. ◀

#### NEED MORE GUIDANCE ON RETIREMENT PLANNING OR FINANCIAL MATTERS?

Please contact us if you require more guidance on retirement planning or financial discussions. We can help clarify your options and ensure a secure and enjoyable retirement.



**CONVERSATIONS ABOUT KEY FINANCIAL MATTERS REMAIN TABOO AMONG THOSE OVER 55. OVER 40% HAVE NEVER DISCUSSED THE LOCATION OF ESSENTIAL DOCUMENTS LIKE BANK ACCOUNTS, INSURANCE POLICIES AND WILLS WITH LOVED ONES.**



#### Source data:

[1] Opinionium conducted research among 2,000 UK adults. Fieldwork was conducted 6 and 10 September 2024. Data has been weighted to be nationally representative.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

# A SAFETY NET FOR UNCERTAIN TIMES

## HOW WOULD YOU PAY YOUR BILLS IF YOU COULDN'T WORK?

In today's unpredictable world, safeguarding financial stability is more crucial than ever. Many of us would struggle to keep up with our essential outgoings, such as mortgage and rent, if we lost an income due to illness or an accident.

**Whether you're employed or self-employed,** income protection is a long-term insurance policy designed to ensure you receive a regular income until you either retire, are fit to return to work or pass away.

Surprisingly, only a small fraction of the UK population – less than one in ten, to be precise – has this type of cover in place, according to research<sup>[1]</sup>. This is despite the alarming statistic that 42% of UK adults are concerned about their household's ability to cope financially if they cannot work<sup>[2]</sup>.

### GENDER PROTECTION GAP

There is also a notable gender protection gap. A significant 29% of women surveyed indicated that they couldn't afford protection, in contrast to 23% of men. Moreover, over a quarter of women admitted they would have to rely on their partner's income if they found themselves unable to work. This reliance underscores the importance of personal financial independence and protection planning.

### REPLACE A PORTION OF YOUR INCOME

Income protection insurance offers regular payments that replace a portion of your income. These payments are made until you can return to work, retire, pass away or reach the end of the policy term – whichever happens first. Typically, the policy covers between 50% and 65% of your income, addressing a wide range of illnesses that may prevent you from working, both in the short and long term.

### CLAIM AS MANY TIMES AS NECESSARY

A significant advantage of this type of insurance is its flexibility. You can claim as many times as necessary during the policy's lifespan. However, it's important to note that there is often a pre-agreed waiting, or 'deferred', period before payments commence. Typical waiting periods range from four weeks up to a year, with longer waiting times generally resulting in lower monthly premiums.

### FEW EMPLOYERS OFFER EXTENDED SUPPORT

It's crucial to differentiate income protection from critical illness insurance, which provides a one-off lump sum upon diagnosis of a specified serious condition. When unable to work due to illness or an accident, many people might assume their employer will continue to provide some income support. The reality is that employees often transition to Statutory Sick Pay within six months, with few employers offering extended support beyond a year.

### EVALUATING YOUR EMPLOYER'S SUPPORT

It's essential to verify what support your employer offers if you become incapacitated. The loss of income can quickly erode savings and make it difficult to cover essential household bills,

especially if you're self-employed and lack sick pay benefits. This is where income protection insurance becomes invaluable, providing the peace of mind that your financial obligations are met, even in the face of adversity. ◀

i

### WILL YOU AND YOUR FAMILY REMAIN SECURE DURING UNEXPECTED LIFE EVENTS?

Income protection insurance is essential to creating a comprehensive financial plan. It ensures that you and your family remain secure during unexpected life events. Contact us for further information if you have concerns or want to explore the options available.

#### Source data:

[1] The survey data was collected and analysed by Censuswide Research. The total sample size was 4,043 UK adults, including 1,000 self-employed and 1,000 private renter respondents. Fieldwork was undertaken between 17 – 29 April 2024. The survey was carried out online. The figures have been weighted and represent all UK adults (aged 18+).

[2] The survey data was collected and analysed by YouGov plc. The total sample size was 2,059 adults. Fieldwork was undertaken between 2 – 8 February 2024. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL, OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.





# WHO PAYS FOR LONG-TERM CARE?

ENSURE YOU'RE WELL-PLACED TO FUND ANY FUTURE CARE NEEDS

**Many people prefer to avoid the subject of long-term care.** Most find it hard to contemplate going into a care home when they are older, but many will do so eventually. However, planning for these potential expenses is important before they become urgent. The NHS, while a cornerstone of healthcare in the UK, only covers care costs in specific circumstances, primarily when related to medical health needs.

**NHS Continuing Health Care (CHC)** might cover some or all expenses, but securing this funding can be complex and challenging, especially during stressful times. Despite it seeming evident that certain conditions, such as dementia, require medical care, they are often classified as social care, which typically falls outside NHS funding.

## NAVIGATING NHS FUNDING CHALLENGES

If NHS funding isn't an option, you can explore alternatives, often involving personal financial contributions. The rules for providing long-term care are complex, and different rules apply in England and Northern Ireland, Scotland and Wales.

In England you'll currently undergo a means test. If your assets exceed £23,250, you'll need to cover the full cost of your care. With assets between the £14,250 and £23,250 tariff limit, the local authority may contribute, but you'll still be responsible for a portion of the costs. Your income is still considered if your assets are below £14,250, but capital is excluded from means testing and the local authority pays for your care.

In Scotland, the upper limit is over £35,000, and you'll need to pay the full cost of your care. The local authority funds some of the care between the £21,500 and £35,000 tariff limit, and you pay the rest. The lower limit is less than £21,500, capital is excluded from the means test and the local authority pays for your care.

However, your income is still taken into account.

In Wales, the single limit is £50,000 and over. Above this figure, you pay the full cost of your care.

Capital amounts between the upper and lower limits tariff for England and Northern Ireland, and Scotland are assessed as providing £1 of additional income for every £250 of capital above the lower limit. The tariff income is then added to your other income for the income means test.

## UNDERSTANDING ASSET IMPLICATIONS

A common misconception is that selling your home is mandatory to fund care costs. This isn't necessarily true; if you or close family members live in your home, it's generally safeguarded from being counted in your financial assessment.

However, if your property is left empty when you move into a care home, it might be considered part of your assets, potentially necessitating its sale to cover costs. Gifting assets to avoid care expenses can also be problematic. Local authorities might view this as a 'deliberate deprivation of assets', which can complicate financial assessments significantly, especially if done during a time when care costs are foreseeable.

## PLANNING FOR AN UNCERTAIN FUTURE

The unpredictability of needing long-term care makes it essential to start planning early. While it's

impossible to predict the exact costs or duration of care, cash flow modelling can provide insight into how prepared you are for such expenses. Government policies may change, but assuming 'no change' and preparing accordingly is prudent. Exploring different solutions now can alleviate future burdens.

## EXPLORING FINANCIAL OPTIONS

Long-term care planning is one of the most challenging areas to address, with many in denial about their potential needs. However, taking proactive steps can ensure you or your loved ones receive the care required without financial hardship. From insurance products to savings strategies, numerous options can be tailored to your circumstances to provide peace of mind. ◀

### NEED GUIDANCE OR WISH TO EXPLORE FINANCIAL STRATEGIES IN MORE DETAIL?

Understanding the complexities of long-term care costs and planning accordingly is vital. If you need guidance or wish to explore financial strategies in more detail, we are here to help. Contact us today to discuss your personal circumstances or those of a family member, ensuring you have a solid plan for later life care.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

# BUILDING A DIVERSIFIED INVESTMENT PORTFOLIO

WHY IT'S IMPERATIVE TO CONSIDER YOUR OBJECTIVES AND ATTITUDE TOWARDS INVESTMENT RISK

**Constructing a diversified investment portfolio is crucial for safeguarding your wealth against market fluctuations.** Diversification involves spreading your investments across various asset classes, sectors, regions and countries. However, tailoring your portfolio to your unique circumstances – such as your financial goals and investment timeline – is equally important. Before assembling your portfolio, it's imperative to consider your objectives and attitude towards investment risk.

## UNDERSTANDING RISK AND INVESTMENT TIMEFRAMES

Typically, the longer your investment horizon, the more risk you can afford to assume if appropriate. This extended timeframe allows you to recover from potential losses during volatile periods. The last scenario you want is to experience a decline in investment value just before a planned withdrawal. If you're nearing retirement or already retired, you might prefer safer investments like cash and fixed-interest securities. Conversely, younger investors with a lengthy investment outlook might allocate a larger portion of their funds to equities.

## KEY CONSIDERATIONS FOR PORTFOLIO CONSTRUCTION

When constructing your portfolio, reflect on your goals and whether you are saving for the short, medium or long term. Ideally, aim for a minimum investment period of five to ten years. Acknowledge that investment values can fluctuate, and while investing carries inherent risks, equities have historically outperformed cash over extended periods. Align your investments with your risk tolerance, ensuring you only invest what you can afford to lose.

## THE IMPORTANCE OF DIVERSIFICATION

Regardless of your risk approach, diversification is essential to prevent reliance on a single investment type. This involves allocating funds across various asset classes, including cash, fixed-interest securities like corporate bonds and gilts, and equities. Some asset classes exhibit a negative correlation, meaning they react differently to economic changes. If one portfolio segment underperforms, other investments counterbalance losses, stabilising overall performance.

## EXPANDING DIVERSIFICATION WITHIN ASSET CLASSES

Even within specific asset classes, further diversification is possible. Consider international investments or sector-specific allocations. If income generation is a priority, broaden your investment scope. Fixed interest has traditionally been favoured for income, property and infrastructure, and some private equity firms offer viable alternatives. No investment guarantees returns, but a well-balanced, diversified portfolio should endure market turbulence.

## ROLE OF PROFESSIONAL FINANCIAL ADVICE

Building a diversified investment portfolio tailored to your personal circumstances can be daunting. This is where professional financial advice becomes invaluable. We can construct a balanced portfolio aligning with your needs, whether your aim is capital growth or income generation. Regular portfolio rebalancing ensures continued alignment with your long-term objectives, giving you confidence that your investments are optimised without undue risk exposure. ◀

## READY TO DISCUSS THE RIGHT TAILORED INVESTMENT SOLUTIONS FOR YOUR GOALS?

Please contact us to develop a strategy that helps you achieve your financial goals and realise your ambitions. We are ready to assist in structuring a plan tailored to your individual needs, ensuring that your investments work as hard as you do.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE.