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INSIDE THIS ISSUE

DISPOSABLE INCOMES HIT SIX-YEAR LOW – HAVE YOU GOT THE STAMINA TO STAY THE COURSE?

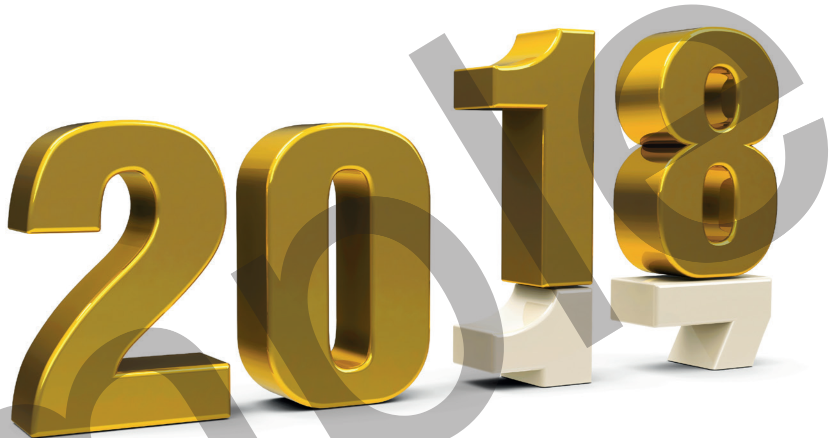
In Britain, the average household has been experiencing the longest fall in disposable income for six years. Consumers are struggling with the combination of inflation, which is taking its toll, as the cost of everyday items has increased, and lacklustre wage growth.

Data from the Office for National Statistics (ONS) revealed real household disposable income decreased 1.1% per head in the second quarter of 2017, meaning disposable incomes had declined for four consecutive quarters. This marked the longest period of negative growth since the end of 2011.

The data from the ONS corresponds with a study[1] disclosing that for the first time in two years, households said they thought their personal financial situation had deteriorated. This perception is likely to have a negative impact on people's spending and saving habits.

The interest rate rise in November may help temper rising inflation, which has been fuelled further by the Brexit-hit pound.

[1]Eurobarometer Consumer Survey, Oct 2017



DOES YOUR PORTFOLIO NEED A NEW YEAR MAKEOVER?

If it's been a while since you looked at your investment portfolio, now could be a good time to stage a review. A regular assessment of your investments will help ensure that you know whether they are on track to meet your financial objectives. The New Year presents the perfect opportunity to take stock. It's never a good idea to adopt a buy-and-forget approach to managing your wealth, as you could end up with a portfolio that no longer reflects your investment goals and risk tolerance.

GETTING THE BALANCE RIGHT

It is likely that when your portfolio was set up, the holdings were aligned with your attitude to risk and capacity for loss. This can change over time; as you get older you may not have the same appetite for risk, and may prefer to adopt a more cautious approach to your investments.

The level of risk you're prepared to accept will in turn affect your asset allocation – the way your money is split between different types of investments, such as equities, fixed-income securities, cash and property. From time to time, you'll probably need to adjust your holdings, as the performance of the assets you're invested in is likely to vary. This is referred to as 'rebalancing' and means fine-tuning your portfolio so that it's better-placed to meet your objectives.

For example, if you are retiring and want to produce an income from your investments, then you may want to switch from growth-oriented assets to those designed to produce income.

ASSET ALLOCATION AND SHARE SELECTION

Your asset allocation can change due to the performance of your investments. If one fund or shareholding has performed particularly well, they could account for a bigger percentage of your overall portfolio, and may no longer be a good match with your investment strategy. So, it may be time to add more diversity to your portfolio. Taking a profit from these holdings can free up cash that can be reinvested in stocks or markets that aren't presently represented in your portfolio, but which are in line with your investment objectives.

A good time to review your portfolio is during the closing months of the tax year, as this can help you think about the cash you might want to put into tax-efficient investments like ISAs or pensions. Communication is key to achieving your investment goals.

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

APPROACH WITH CAUTION – SCAMS AN INCREASING CONCERN

Scammers are relentless in their efforts to trick savers out of their pension cash, and it's recently emerged that their tactics are continuing to increase in sophistication. Thieves are increasingly exploiting grey areas of the law and encouraging people to move their pension funds into investments that are completely legal, but totally inappropriate.

These investments often have high charges, are dangerously risky, or incapable of providing the level of income they claim to be able to deliver.

PLANS TO CRACK DOWN

Over £43m in retirement savings has been lost to fraud since the introduction of pension freedoms. Concerns have been raised in parliament, and the Work and Pensions Committee has held an inquiry that, amongst other things, heard evidence as to what might be done to prevent these potentially devastating losses. The Financial Conduct Authority has promised to publish a strategy to tackle the problem.

The much-anticipated ban on pensions cold-calling that will also include texts and emails is likely to go before parliament in the first half of 2018. Companies that do not have prior permission to contact consumers, or do not have an existing client relationship with them, will face fines of up to £500,000.

SIGNS TO LOOK OUT FOR

In the meantime, everyone needs to be aware of the signs to be aware of. The Pensions Regulator's advice is to hang up on anyone who calls out of the blue to discuss pension opportunities, and recommends that savers who are thinking of dealing with any pension organisation should check that they are regulated by the Financial Conduct Authority.

Signs that a cold-caller could be part of a scam and trying to trick consumers out of their pension savings include suggesting that what is on offer is only available to sophisticated investors, and will only be available for a short period of time, meaning that decisions must be taken quickly. It could happen to you, so equip yourself with the knowledge – be scam savvy.

TAKING A REGULAR INCOME FROM YOUR INVESTMENTS

Many people, especially those approaching, or in, retirement want to get a monthly income from their investments, often to supplement their pension.

FUNDS TAILORED TO INCOME NEEDS

One of the most obvious options is to buy a selection of funds that make regular payouts. This would mean buying funds that generate high yields and having the dividends paid into a holding account from which regular monthly amounts can be accessed.

Another option is to build a portfolio of income-paying funds that make their dividend payouts at different points in the year. Building a portfolio in this way makes it possible to spread your money across a range of diversified assets, but the downside of this is that the income may not be the same amount each month.

Alternatively, another strategy that can often make sense is to opt for funds that offer good long-term returns, rather than targeting too high a yield. This way, you can sell units to meet your income needs. It's important to plan, allowing funds enough time to make a profit, so that you are not forced to sell them at a loss.

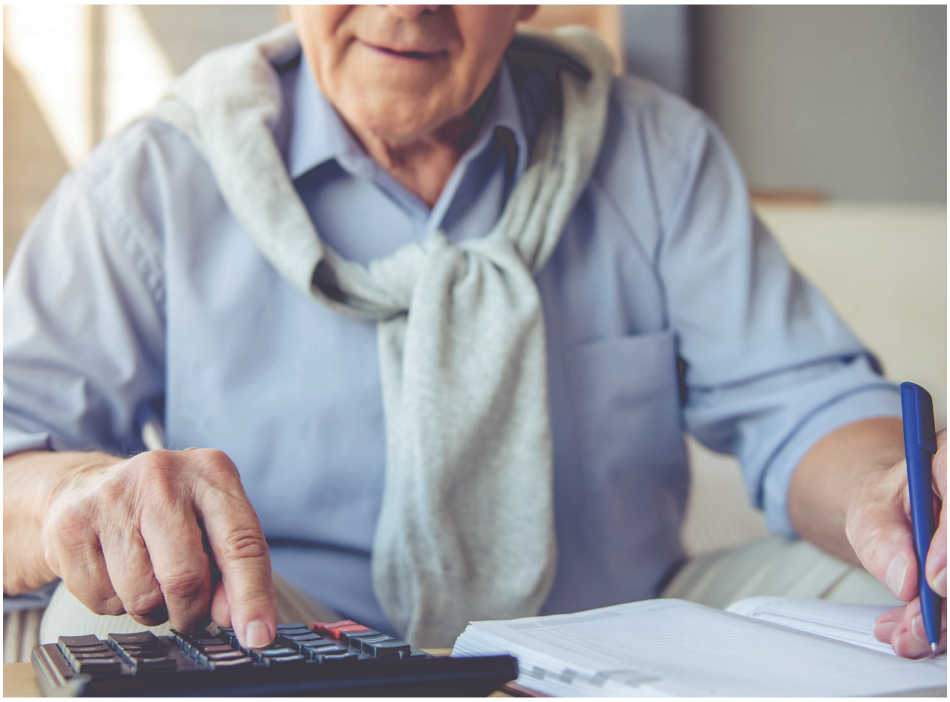
DIVIDEND ALLOWANCE SET TO REDUCE IN 2018

For the 2017–18 tax year, investors can earn up to £5,000 in dividend income tax-free, but this figure is set to drop to £2,000 from April 2018. This means that an investor can earn up to £16,500 in dividends in the 2017–18 tax year, combining £11,500 personal allowance and the £5,000 dividend allowance; this, of course assumes they have no other sources of income.

If you decide instead to sell investments to raise cash, then the tax-free Capital Gains Tax (CGT) allowance for 2017–18 is £11,300 (£5,650 for trusts). Above that threshold, basic rate tax-payers selling investments would pay CGT at 10%, with higher rate tax payers paying at 20%. The CGT allowance for individuals increases to £11,700 from April 2018 (£5,850 for trusts).

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

Information is based on our understanding of taxation legislation and regulations. Any levels of, and reliefs from taxation, are subject to change.



DON'T BE IN THE DARK ABOUT YOUR PENSION

Retirement might seem a long way off, but it's never too early to think about your pension. Ideally you should start planning for it from the day you start work. No-one wants to worry about money in their later years, and the way to help prevent that happening is to save regularly into a pension throughout your working life.

Here are some simple but compelling reasons why you should think about pension planning now:

Tax relief. If you make contributions to a pension, or if your employer deducts your payments from your salary, you automatically get 20% tax relief as an additional deposit into your pension pot. If you are a higher-rate taxpayer, you can claim an extra 20%, while those paying additional-rate tax can claim back an extra 25%.

Compound interest. The sooner you start your pension, the longer your money will have to grow. In today's climate of low interest rates, compound interest and reinvested dividends can play an important part in investment growth.

The state pension is just a safety net. The flat-rate state pension amounts to around £8,000 a year. Plus, by 2028, the age at which you can claim it will have risen to 67.

A workplace pension is equivalent to getting a pay rise. If you save into a workplace pension, your employer should make contributions alongside yours, providing a welcome boost to your pension.

You get a quarter back, tax free. When you retire, you can take 25% of your pension savings as a tax-free lump sum.

PENSIONS FOR EVERY TYPE OF WORKER

If you're self-employed, an employee, work part-time, run your own business or have accumulated pension pots with past employers, we can offer you advice. After all, retirement should be an enjoyable and fulfilling stage of life, not a time spent worrying about money.

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.

SETTING UP A PENSION IF YOU EMPLOY A CARER OR A CLEANER

Families could risk facing a £400 fine unless they set up a pension scheme for the staff they employ. As part of the government's auto-enrolment scheme, designed to encourage pension saving, almost every worker in the country must have a pension fund set up and paid into by their employer. This means you may find yourself classed as an employer under government pension rules. For people who know little about pensions, this can all seem a bit daunting, but we can provide the advice and help you need.

If you pay a nanny or cleaner directly, you'll be expected to provide for their pension. However, this doesn't include staff you employ through an agency, as it's the agency's responsibility to make pension provision for them. If you take your children to a childminder, these rules normally don't apply, as most childminders are self-employed, as are many gardeners.

WORKPLACE PENSION RULES

Employees aged between 22 and state pension age who earn more than £10,000 a year (or £833 a month, or £192 a week) must be automatically given a workplace pension.

If you employ someone who earns more than £5,876 a year, or someone who is older or younger than the age range, they have the right to 'opt in' to a workplace pension and receive employer contributions. Anyone earning less than £5,876 a year can still choose to opt-in to a workplace pension, but employers don't have to contribute to their pension.

If you employ someone who qualifies for auto-enrolment, you will need to find a pension provider, enrol them and make regular contributions on their behalf to the scheme. Minimum contribution rates increase at set times. The current total minimum contribution of 2% (employer 1%) will increase on 6 April 2018, to 5% (employer 2%), and on 6 April 2019, reaching a total minimum amount of 8% (employer 3%).

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BALANCING INTERGENERATIONAL NEEDS IN YOUR FAMILY – A FINE LINE

The media have had a lot to say on the issue of 'intergenerational fairness' recently. This is sometimes portrayed in crude terms as being all about the perceived conflict between baby-boomers, with generous final salary pension funds, who often live in large and valuable properties, versus those of the millennial generation who have all but given up on getting a good job that pays well enough to allow them to buy a property.

However, there's another group of people who deserve to have their needs fully taken into consideration. The 'sandwich generation,' as they have been dubbed, find themselves supporting the financial needs of both their children and their parents, and as a result are often prejudicing their own standard of living in retirement.

THE SQUEEZED MIDDLE

It's estimated that around 1.9m workers aged over 50 find themselves juggling the competing needs of the younger and older generations with their own financial planning requirements. As a result, many feel under pressure to go on working for longer; others sacrifice saving for their retirement to support their families. Government statistics show a record number of over-50s remain in work, some from choice, others out of necessity.

The problem is likely to intensify as the younger generation increasingly look to the 'Bank of Mum and Dad' to help with major expenditure such as house purchase. Parents often feel under tremendous pressure to help, but there's already evidence of the divide in society that's opening up between millennials who have received help to buy a property, and those who face the prospect of renting for many years to come. Parents really need to consider their own needs before helping other family members.

PENSION PROVISION SET ASIDE

Almost a quarter of over-50s with financial dependants admitted that they had sacrificed saving for a comfortable retirement to provide financial support for adult children, while 12% of respondents said they had stopped saving completely to support the children and parents who depend on them financially.

Whatever age they are, everyone should make provision for their later years. Even small sums saved regularly will go some way towards providing a pension income. Getting good advice will help you work out how much you will have available to live on in retirement, and how you can improve your pension outlook.

HIGHLIGHTS FROM THE AUTUMN BUDGET

- Stamp duty abolished immediately for first-time buyers purchasing properties worth up to £300,000
- To help those in expensive areas, the first £300,000 of the cost of a maximum £500,000 purchase will be exempt from stamp duty, with the excess of up to £200,000 incurring 5% duty
- Not applicable in Scotland unless Scottish government decides to follow suit
- Pension lifetime allowance to increase in April 2018 to £1,030,000
- Higher-rate tax threshold to increase to £46,350 from April 2018 (Scotland may differ)
- ISA limit for 2018/19 to remain at £20,000
- JISA and CTF allowance will be uprated in line with CPI to £4,260 in 2018/19
- The National Living Wage and the National Minimum Wage will increase from April 2018
- The tax-free personal allowance will rise with inflation to £11,850 from April 2018
- An extra £3 billion to prepare for Brexit over the next two years
- £6.3 billion of new funding for the NHS in England
- Fuel duty will remain frozen for an eighth year
- A new railcard for those aged 26 to 30
- Business rates will switch to being increased by the Consumer Prices Index (CPI) two years earlier than planned
- Capital gains tax relief for overseas buyers of UK commercial property to be phased out

IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.