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INSIDE THIS ISSUE

Wrap up in an ISA

The 2016 – 17 allowance is a generous

£15,240

As it can't be carried forward, it makes sense to take advantage of this savings opportunity as soon as possible, rather than risk losing your entitlement if you miss the tax year-end deadline.

The 2017–18 allowance increases to £20,000

The ISA deadline is 5 April 2017

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THE NEW YEAR

– TIME FOR A FINANCIAL REVIEW?

As you plan for the year ahead, is a wealth check-up on your list of New Year's resolutions? This could be a good time to take a look at your finances. Savings, investments, pension plans, protection policies and retirement planning can often benefit from an annual review.

REVISIT YOUR FINANCIAL GOALS

If you want 2017 to be a successful year for your finances, it helps to start with a clear idea of what your goals are. Think through what your key saving, spending and investment plans are for the next 12 months and decide what you want your money to do for you. For instance, are you looking to pay down debt, save for a child's education, increase your pension savings or plan your retirement spending? Once you know what you want your money to accomplish for you, you can get the right advice to make these goals achievable.

KNOW WHERE YOUR MONEY GOES

This might be a good time to see if there's a better mortgage on offer in the market place. With interest rates remaining low your mortgage adviser will be able to offer advice as to what's the best deal for your financial circumstances[ø].

Looking at all areas of your regular expenditure can serve as a reminder to check the energy tariff you're on, or make a conscious decision to cut down on trips to the coffee shop. That way you'll be able to see what you can comfortably commit to saving and investment plans for the coming year.

CHECK YOUR INVESTMENTS

If you've held a portfolio of investments for a while, it might be time to review its performance. Your adviser will be able to assess the stocks and shares you hold, and ensure the balance of your portfolio remains in line with your risk profile and asset allocation strategy. A review gives you the opportunity to consider moves like selling investments that are underperforming or taking a profit from holdings which may have appreciated in value over the years[+].

REVIEW YOUR PENSION AND RETIREMENT STRATEGY

Much has happened in the world of pensions over the last couple of years. There is a new state pension and new rules regarding accessing defined contribution pensions. Making a resolution that this is the year to get to grips with your pension makes complete financial sense.

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.

Past performance is not a reliable indicator of future performance.

UNDERSTANDING INVESTMENT JARGON

Every industry has its own terminology which can seem baffling to the outsider. The investment world is no exception. If you choose to invest your money into stocks and shares, you will be confronted with a whole range of words and phrases which may be alien to you. Here we decipher some of the jargon.

VOLATILITY

Volatility refers to the rate at which the price of a stock or share moves up and down. If the price moves up and down rapidly over a short period of time, it is described as having high volatility. If the price remains relatively stable, it is said to be a low volatility stock.

RISK PROFILE

This refers to the amount of investment risk you are prepared to take with your money. Your adviser will ask you a series of questions to assess your profile so that they can recommend the right investments for your portfolio. Risk is closely related to reward, with riskier investments offering a greater chance of reward, but also the risk of greater losses. Your attitude to risk will probably change over time.

ASSET ALLOCATION

This is the process of deciding what proportion of your investment portfolio should be invested in different types of investment, such as cash, equities, bonds and property. The process of determining which mix of assets you should hold in your portfolio will depend largely on your time horizon and your attitude to risk. Asset allocation helps to spread risk through diversification, which basically means not putting all your eggs in one basket.

COLLECTIVE INVESTMENTS

Investing in collective investments, including Unit Trusts, Investment Trusts and Open-ended Investment Companies (OEICs), is a way of putting sums of money contributed by many investors into one large fund spread across a wide range of investments. The resulting fund is managed by a professional team. This type of vehicle represents a good way of diversifying your investments, and represents less of a risk than buying individual shares in just a few companies.

+The past is not a guide to future performance and past performance may not necessarily be repeated.

WEALTH MANAGERS RAISING THEIR GAME TO ENGAGE MILLENNIALS

When it comes to savings and investments, there is compelling evidence to suggest that millennials have a totally different perspective from older generations. Millennials, who were born in the early 1980s through to the turn of the century, are likely to fall under the category of 'not rich yet'.

Despite this lack of current wealth, managers are acknowledging that to attract these clients in the future, they need to up their game, the major challenge being to engage this digital generation. With an average client base aged in their late 50s, an overwhelming majority of managers (81%[1]) are making attempts to attract younger clients.

The major influences on millennials derive from the widespread introduction of technology and the rise of social media. Their outlook on life has been shaped by experiencing world events such as turmoil in financial markets, environmental disasters and increasing evidence of climate change. Recent research[2] suggests that many millennials are not particularly interested in money, they possess low-to-medium levels of financial knowledge, wealth managers are also acknowledging the need to educate this generation if they are to ever get their hands on their cash.

The most effective ways to achieve this is to embrace digital. With almost 90% of millennials checking their smartphone within 15 minutes of waking, filling in a paper-based questionnaire or form isn't going to cut the mustard. Multinational financial services firm Credit Suisse is in the process of updating its advisory process to make it more interactive. Similarly US investment bank Merrill Lynch are using gamification to trigger investor empathy with their future selves. Younger clients can upload photographs to see themselves 'aged', forcing them to confront the truth that one day they will need a pension.

Those millennials who are engaged with their finances tend to expect to see a stronger set of social values reflected in the financial products and services they purchase, often wanting to know what the provider's attitude is to issues such as climate change and corporate social responsibility. Forward-thinking fund managers are increasingly developing investment products and services that take account of this discerning set of financial consumers.

[1]Wealth-X, FT, 2016

[2]Deloitte, 2016

DON'T LET APATHY RUIN YOUR RETIREMENT PLANNING

For many people, pension planning never quite gets to the top of their 'to do' list. However, it's true to say that the earlier you start saving for retirement, the longer your money has to grow.

The pension landscape has undergone tremendous changes over the last couple of years; financial provision for our retirement years is moving from being the responsibility of the state to be fairly and squarely the responsibility of the individual. This means that we all need to keep an eye on our pension plans to ensure we're making adequate provision for the future.

So although retirement can seem a long way off, and saving money for retirement can feel like locking money away for decades, the reality of the situation is that it could make a considerable difference to the amount available in your pension fund at retirement, and within limits you get tax relief on contributions too.

YOUR STATE PENSION

Although the basic state pension has increased to £155.65, not everyone will get this amount as it will depend on their contribution record. Getting a pension forecast from gov.uk will show you what you are likely to receive. The state retirement age is set to increase too, so if you were born after 6 April 1978 you won't be entitled to receive your state pension until you're 68 years old. All this makes it even more important to keep an eye on your pension provision.

THE STEPS WE SHOULD ALL TAKE

- Make pension saving a priority. Consider topping up your contributions whenever your financial circumstances allow
- Speak to your adviser about arranging a regular review to ensure your retirement plans remain on track
- Know your state pension age and get a forecast of how much you'll receive.

There's a Chinese proverb that goes something like 'The best time to plant a tree was 20 years ago. The second best time is now.' It makes sense to view pension planning in the same light.

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SCAMS – MORE STOLEN THAN FIRST THOUGHT

The introduction of pension freedoms has hailed a rise in scams across the UK. According to new figures from Financial Fraud Action UK[1], more than one million incidents of financial fraud occurred in the first six months of 2016 – a 53% increase compared to the same period last year, a much higher figure than had originally been feared. As a result, the government has announced moves to ban pension cold-calling.

Approaches by unscrupulous people claiming to be 'advisers' and 'pension experts' offering bogus or unsafe investment opportunities have been steadily on the rise. Here are some tips to help protect you and your pension from attacks by thieves.

Firstly, if you're offered a deal that sounds too good to be true, then the chances are it is. Don't be taken in by glossy brochures or slick websites that scammers often use to knock you off guard. Beware of investment opportunities that offer to put your money into unregulated overseas investments like vineyards or building projects. Visit the FCA's Scamsmart website where you'll see more information about known scams that are currently doing the rounds.

Don't be flattered into investing unwisely; scammers often say you have been handpicked to be offered an 'exclusive deal', you haven't and whatever he or she says, you never need to be hurried into any investment scheme, especially one that is fraudulent.

UNDER 55 SCAMS

One of the common scams being operated by thieves involves accessing your pension cash before you've reached 55. This is often referred to as 'pension liberation'. Victims are usually promised early cash, but what they don't realise is that this represents an unauthorised payment that attracts tax at 55% as well as the fees that the firm will charge you for their services. In some instances, those who have fallen for this ruse have found themselves left with little if any pension savings.

When it comes to pensions, it always pays to get advice from your adviser.

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

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[1]Financial Fraud Action UK, 2016

SPENDING PATTERNS IN RETIREMENT – HOW YOURS MAY CHANGE OVER TIME

In the UK, people aged over 65 spend in excess of £121bn per year, and those aged over 85 represent the fastest growing segment of the population. The welcome news is that longevity is increasing, and more people than ever before are set to spend more years in retirement than previous generations enjoyed.

However, all this means that it's more important than it has ever been to think carefully about your spending needs in retirement. The changes in pension legislation have given far greater freedom than ever before, but freedom brings with it greater individual responsibility. Low interest rates and periods of market volatility can make income planning for the future a difficult task.

THE U-SHAPED CURVE

A survey by Age UK[1] showed that generally people tend to spend more money in the early, more active years of retirement, with spending decreasing in the middle years and increasing again in their later years when additional care and medical expenses are more likely to be required.

A NEW RETIREMENT AGE

It wasn't so very long ago that working life was expected to come to an abrupt end around 65 for men and 60 for women. All this has changed. With many more people able to retire from 55, retirement could last 30 years, or even longer. Retirement is becoming a more fluid concept, often representing a time when people can choose to retire, stay in full-time employment, switch to part-time employment, do consultancy work or even start a completely new business or career.

PLANNING YOUR INCOME IN RETIREMENT

Mapping out your future expenditure is an important precursor to drawing up a budget for your retirement and assessing your likely income needs. There are various factors to take into account. You may have income from employment, equally you could choose to give up work altogether and fulfil all the items on your bucket list. You may decide to downsize from a family home to a smaller retirement apartment that is cheaper to run and means you can release some equity to bolster your income. You may want to help children or grandchildren financially by paying for school fees or helping them with a deposit for a home of their own. You will also have to plan for a time when you might need to pay for help around the house, and for the likelihood of needing medical and nursing care in your latter years. There's a lot to consider.

PROFESSIONAL ADVICE

It can be hard to work out how to manage your money through all the varying stages of what everyone hopes will be a long and happy retirement. Getting professional advice on retirement income planning has never been more important than it is today, and can help alleviate financial worries later on in life. It can help you understand what your expenditure pattern might look like, and give you a roadmap for the future.

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[1]Age UK, Financial resilience in later life, 2014

KEY POINTS FROM THE AUTUMN STATEMENT

- GDP growth forecast for 2017 slashed; 2019–20 budget surplus ruled out
- Tax-free personal allowance to rise to £11,500 in April and increase to £12,500 by the end of the parliament
- The higher rate threshold will rise to £50,000 by the end of the parliament
- From April, employers and employees using salary sacrifice schemes will pay the same tax as anyone else, with the exception of pension arrangements, childcare, ultra-low emission cars and cycle to work schemes
- Insurance premium tax to rise from 10% to 12% from June
- Government will stick to plans to cut corporation tax, currently 20%, to 17% in April 2020
- From April a new savings bond will be available for 12 months through National Savings and Investments, with an interest rate of around 2.2% and a term of three years, the maximum deposit will be £3,000
- Ban on letting agent fees to tenants, burden falls to landlords of the property
- Triple lock applied to any increase in the state pension will remain for this parliament
- Fuel duty rise will be frozen for the seventh year in succession
- Employee and employer National Insurance thresholds will be equalised at £157 per week
- £2.3bn housing infrastructure fund to deliver infrastructure for up to 100,000 new homes, a further £1.4bn for 40,000 additional affordable homes.

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