ISSUE 14 ■ SUMMER 2021

FISHFINANCIAL

SMARTMONEY

SUSTAINABILITY MATTERS

PLAN FOR A BETTER TOMORROW, TODAY

UNLOCKING PROPERTY WEALTH
Plan for the worst, hope for the best

GRADUATE SUCCESS
Creating a strong culture of high-performing individuals

RETIREMENT OPTIONS
What can you do with your pension pot?

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INSIDE THIS ISSUE

Welcome to the Summer 2021 issue of *Smart Money* from Fish Financial.

Responsible investment is a catch-all term to broadly describe funds that invest to make a positive change, either to the environment or for society. Within this umbrella term there are four broad investment approaches: ethical exclusion; responsible practice; sustainable solutions; and impact funds. Increasingly more pension savers are asking where their funds are invested. On page 04 we look at the reasons why many are no longer just concerned about getting the best returns – they also want their money to be used in a way that helps society and the planet.

With the rapid changes that have swept the world over the last year resulting from the coronavirus pandemic, some people aged over 50 are facing a different retirement than they may have been expecting. Unfortunately, not everyone has sufficient pension savings to fully recover from these events, which has led some people to look for alternative ways to fund their retirement. Read the full article on page 12.

When the time comes to access your pension, you'll need to choose which method you use to do so. This is a complex calculation that must take into account the growth rate your investments might achieve, the eroding effects of inflation on your savings, and how long your savings will need to last. Turn to page 10 to see what you need to consider.

Here at Fish Financial, we are very proud of our highly successful graduate recruitment scheme. We look to create a strong culture of high-performing individuals and strive to engineer an environment where people can progress through qualifications with support and mentorship whilst continuing to ensure the highest levels of service to our clients. Read the article on page 03.

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

TIME TO CHOOSE WHAT YOUR FINANCIAL FUTURE LOOKS LIKE?

Wealth means something different to everyone. Whatever your plans, expert advice can help bring them to life. To help give you the chance to choose what your financial future looks like, please contact us – telephone 01252 931265 or email info@fishfin.co.uk – we look forward to hearing from you.

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

GRADUATE SUCCESS

CREATING A STRONG CULTURE OF HIGH-PERFORMING INDIVIDUALS

Here at Fish Financial, we are very proud of our highly successful graduate recruitment scheme. We look to create a strong culture of high-performing individuals and strive to engineer an environment where people can progress through qualifications with support and mentorship whilst continuing to ensure the highest levels of service to our clients.

We began the graduate scheme in 2017 with our first graduate Guy Prysor-Jones. Since Guy attended the inaugural Fish Financial recruitment day, he has gained his Diploma in Regulated Financial Planning, completed our Training and Competence scheme and has progressed to become a Financial Adviser, providing exceptional advice to our clients.

Josh Montgomery was our second graduate recruit and joined the Fish team in August 2019. In 2020 we were finalists in the prestigious Personnel Today 'Graduate Scheme of the Year' Award and whilst we made the final and narrowly missed the top spot, it did not deter us in finding our next graduate. Douglas Hay was selected and joined the team in September 2020.

In order to achieve the Diploma in Regulated Financial Planning, there are six units which must be studied, each with their own assessment exam which must be passed.

Approximately 570 hours of study is undertaken to attain the qualification and so our graduates must remain dedicated and motivated throughout in order to be successful, which is why we were so proud to celebrate the successful completion of the Diploma by both Josh and Douglas.

Congratulations Josh and Douglas! ■

SUSTAINABILITY MATTERS

PLAN FOR A BETTER TOMORROW, TODAY

Responsible investment is a catch-all term to broadly describe funds that invest to make a positive change, either to the environment or for society. Within this umbrella term there are four broad investment approaches: ethical exclusion; responsible practice; sustainable solutions; and impact funds.

Increasingly more pension savers are asking where their funds are invested. Many are no longer just concerned about getting the best returns – they also want their money to be used in a way that helps society and the planet. The Department for Work and Pensions (DWP) is currently consulting on improving the governance, strategy and reporting of occupational pension schemes on the impact of climate change.

The growth of Environmental, Social and Governance (ESG) issues – from an increasing awareness of climate change, global responsibilities and social issues to investing in companies that act responsibly and prioritise making the economy cleaner, safer and healthier – is an important consideration for many investors.

CONSIDERATIONS WITHIN RETIREMENT PORTFOLIOS

While ESG concerns have been gaining profile in the investment world for many years, there is reason to believe that there will continue to be a big shift toward these considerations within retirement portfolios and the coming transfer of wealth to sustainability-minded Millennials.

Eight out of ten people (83%)[1] think global warming will be a serious problem for the UK if action is not taken, and there is a lack of awareness about the extent to which pension funds are working to reduce the impact of climate change. In the survey, around half (51%) say global warming is 'extremely' or 'very' important to them.

CATEGORIES OF CRITERIA USED TO ASSESS COMPANIES

However, there remains a lack of understanding among some savers as to how pension schemes are taking action against climate change. Three-fifths of workplace pension holders (59%) say they don't know if schemes are taking any action; just one in seven (15%) workplace pension holders think schemes are.

ESG refers to the three categories of criteria used to assess companies when investing responsibly: 'E' stands for 'environmental' factors, such as carbon emission and water management; 'S' stands for 'social' factors, such as employee welfare, diversity and inclusion; 'G' stands for 'governance' factors, such as business ethics and corruption.

PERCENTAGE OF PEOPLE'S WEALTH IN THEIR PENSIONS

The concept of ESG investing has existed for decades but has grown enormously in popularity over the last five years. While early adopters of this practice were often driven by moral or ethical concerns, over time the financial benefits of ESG investing have become clearer, which has encouraged mass adoption.

ESG investing is becoming increasingly popular, and many investors are choosing ESG funds for their Individual Savings Accounts (ISAs) and general investment portfolios. However, these accounts usually hold a lower percentage of people's wealth than their pensions.

GREATER TRANSPARENCY AROUND CLIMATE IMPACT

The survey also found a number of people don't understand what pension schemes do with their money. Little more than two-thirds (68%) of the general population understand that pension schemes invest in a range of companies and other investments, and only one in five (22%) pension holders say they know the types of companies that their pension invests in.

Despite these knowledge gaps, when it comes to pensions there is still strong support for greater transparency around climate impact, in terms of the investments that are made and the way firms operate. Six in ten (62%) people think that pension schemes and other investors should hold those in charge of the companies they invest in to account for their efforts to minimise their impact on climate change.

BEHAVE IN A WAY THAT HELPS TACKLE CLIMATE CHANGE

Two-thirds (66%) think investors have a responsibility to encourage the companies they invest in to behave in a way that helps tackle climate change. A similar proportion (65%) think that financial services firms should report on the impact the companies they invest in have on climate change.

Around seven in ten people (68%) say that pension schemes should be transparent about the extent to which they invest in a climate-aware way. Seven in ten (69%) also want financial services firms to be transparent about the impact of their own operations on climate change. ■

LOOKING FOR MORE FREEDOM OVER HOW YOUR PENSION IS INVESTED?

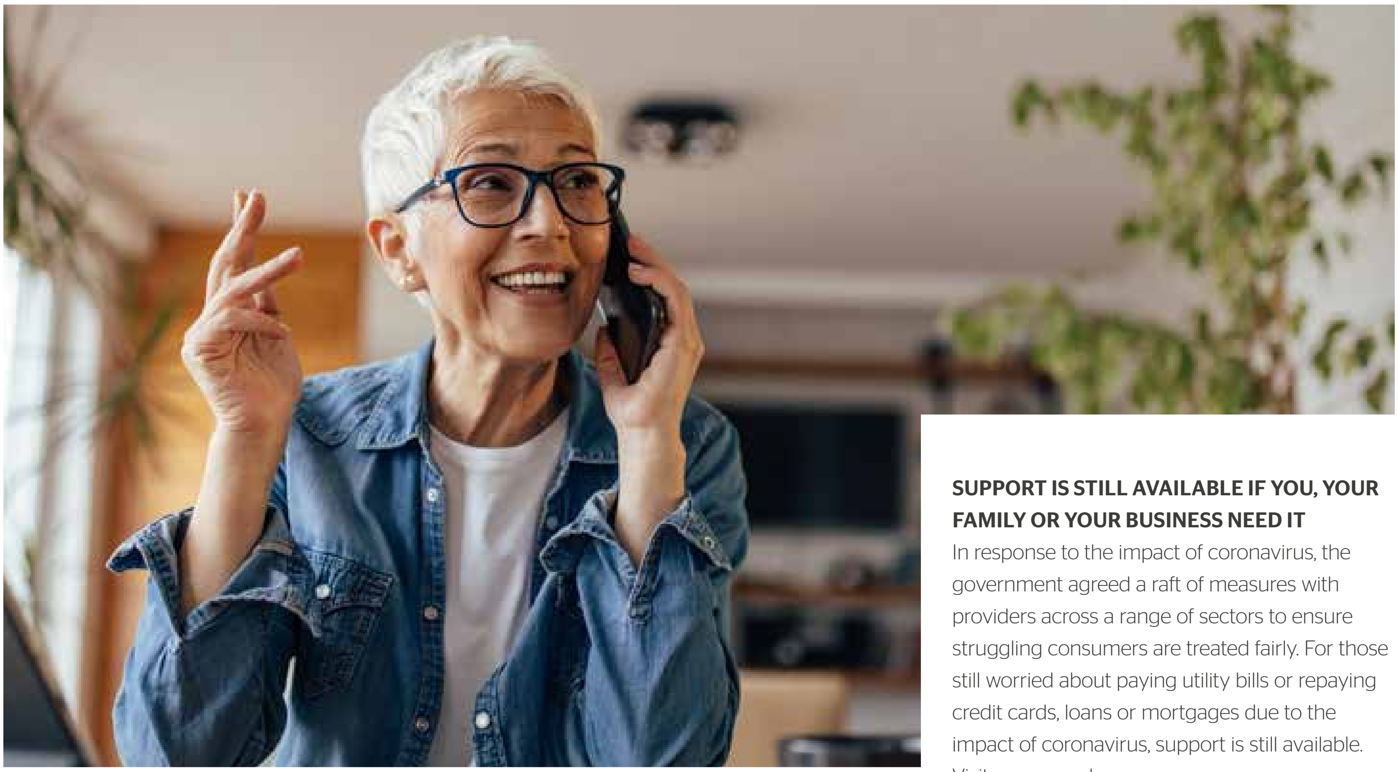
Pension holders now have far more freedom over how their pension is invested than many realise. If you would like to ensure your pension is invested according to your preferences, including a preference for ESG investments, contact us for more information.

Source data:

[1] Research was conducted for the Pensions and Lifetime Savings Association (PLSA) by Yonder (formally known as Populus), an independent research agency. They achieved a nationally representative online sample of 2,082 UK adults aged 18+. The fieldwork was conducted between 25-26 November 2020.

IT'S GOOD TO TALK

GETTING FINANCIAL HELP DURING THE CORONAVIRUS (COVID-19) PANDEMIC



The coronavirus (COVID-19) pandemic has not only dealt a blow to the UK economy, many people and families have unfortunately experienced financial hardship. According to a recent survey, 31% of the population say they are struggling with their finances due to the effects of the pandemic[1].

With the pandemic causing many workers to lose working hours or their jobs, it's more important than ever to know what financial options you have.

UNDER-35S ARE MOST LIKELY TO BORROW

But the survey shows that the impact is not spread evenly. It appears that people aged 18-35 have experienced the most financial difficulty and are most likely to seek help from others.

During the pandemic, 18-35s have been four times more likely than any other age group to receive financial support from their family or friends. They've also been twice as likely as other age groups to take out a loan to make ends meet.

PEOPLE AGED 35-55 HAVE BEEN IMPACTED LESS

Those in the 35-55 age group have been less likely to need to borrow than the under-35s, and also less likely to report a worsening of their financial situation than those aged 55-65. But that's not to say that they have it easy. Nearly one in three people in this age group say their finances are worse now.

OVER-55S HAVE THEIR RETIREMENT PLANS DISRUPTED

Many people in the 55-64 age group have had to change their retirement plans. Income from work for one in four of these people has fallen 40%. A rise in unemployment has led to increasing numbers of people taking early retirement, with some relying on their property wealth to fund this.

OVER-65S ARE SUPPORTING THEIR FAMILIES

Over-65s have been less affected than the general population, with 17% reporting that they are struggling financially. This is likely due to their pension income, which, in a lot of cases, will have remained level. More than one in ten of those aged over 65 say they have offered financial support to family members, which is the highest of any age group.

Before providing help to younger family members, it's important to make sure that you can afford to without affecting your standard of living. Consider how your costs might rise later in life and ensure that you retain enough wealth to cover these additional expenses.

SUPPORT IS STILL AVAILABLE IF YOU, YOUR FAMILY OR YOUR BUSINESS NEED IT

In response to the impact of coronavirus, the government agreed a raft of measures with providers across a range of sectors to ensure struggling consumers are treated fairly. For those still worried about paying utility bills or repaying credit cards, loans or mortgages due to the impact of coronavirus, support is still available. Visit www.gov.uk.

PEOPLE STRUGGLING TO PAY ESSENTIAL BILLS ARE ENCOURAGED TO:

- Contact providers: if you think you might have a problem paying bills, contact your providers to explain the situation and receive help
- Ask for help if it is needed: if you are struggling with your bills or credit commitments, free advice is available. Coronavirus has affected the entire nation and many people need support now, even if they never have before
- Explore payment options: if you are struggling with bills, it is better to agree a payment plan with your provider/s and keep making regular instalments, rather than cancelling direct debits and letting debt build ■

HELP AND FINANCIAL SUPPORT

Even though the government has relaxed some of the COVID-19 restrictions, this is still a particularly difficult time for many households across the UK, with some struggling to keep up with bills, loan payments and mortgages. If you would like to discuss your situation, please contact us for more information.

Source data:

[1] https://www.lv.com/about-us/press/coronavirus-outbreak-leaves-young-people-turning-to-bank-of-gran-and-grandad

MINIMUM PENSION AGE TO INCREASE

AGE CHANGE TO WHEN PEOPLE CAN START TAKING PENSION SAVINGS

The government has confirmed that it plans to increase the minimum pension age at which benefits under registered pension schemes can generally be accessed, without a tax penalty, from age 55 to age 57 commencing 6 April 2028.

The Treasury is consulting on how best to apply its decision to increase the age when people can start taking their private pension savings. The Normal Minimum Pension Age (NMPA) will increase in line with increases to the State Pension age.

UNQUALIFIED BENEFITS RIGHT

Members who currently have an 'unqualified right' to access their benefits under a registered pension scheme before age 57 and members of the armed forces, firefighters or police pension schemes will be permitted to retain their existing minimum pension age.

The government is planning to introduce a protection regime which would mean that an individual member of any registered pension scheme (occupational or non-occupational) who has an unqualified right – for example, without needing the consent of their employer or the trustees – under the scheme rules at the date of the consultation to take pension benefits at an age below 57 will be protected from the increase in 2028.

PROTECTED PENSION AGE

A member's protected pension age will be the age from which they currently have the right to take their benefits. The protected pension age will be specific to an individual as a member of a particular scheme. So an individual could have a protected pension age in one scheme where they have a right to take pension benefits at an age below 57, but for schemes where no such right exists the new NMPA of 57 will apply from 2028.

It will also apply to all the member's benefits under the relevant scheme, not just those benefits built up before April 2028. Individuals with an existing protected pension age under the 2006 or 2010 regimes will see no change in their current protections.

ASSOCIATED PENSION SCHEMES

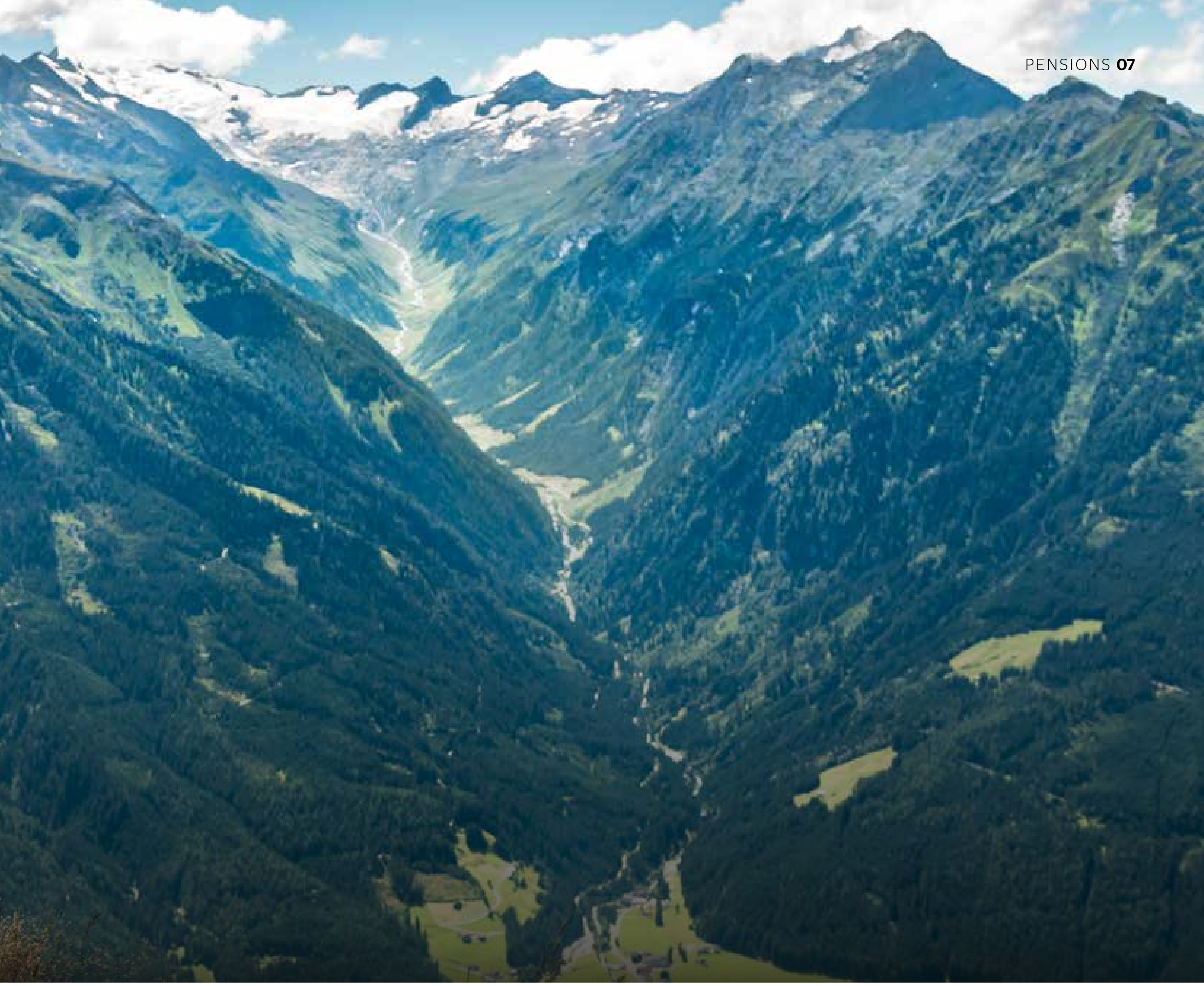
In recognition of the special position of members of the armed forces, police and fire services, the government is proposing that, where members of the associated pension schemes do not already have a protected pension age, the increase in the NMPA will not apply to them.

Individuals who do not have a protected pension age who access their pension benefits before age 57 after 5 April 2028 would be subject to unauthorised payments tax charges.

PENSION TAX RULES ON ILL-HEALTH

There will be no need for individuals or schemes to apply for a protected pension age. This is in line with the approach taken under the existing protected pension age regimes. The government is not proposing to make any changes to the current pension tax rules on ill-health as part of this NMPA increase.

Unlike the protection regime introduced in 2006, where individuals are entitled to a protected



pension age in relation to the increase in NMPA from 2028, they will be able to draw benefits under their scheme even if they are still working.

SCHEME BENEFITS CRYSTALLISED

In addition, currently, if an individual wants to use their protected pension age, then all their benefits under the scheme must be taken (crystallised) on the same date. However, considering the pension flexibilities introduced in 2015, the government proposes that this requirement will not be a condition of the 2028 protected pension age regime.

This would mean, for example, that an individual with a defined contribution pension with a protected pension age of 55 would be able to allocate some of their pension to a drawdown fund, and at a later date use the remainder to purchase an annuity, without losing their protected pension age.

NORMAL MINIMUM PENSION AGE

The government's position remains that it is, in principle, appropriate for the NMPA to remain around ten years under State Pension age, although the government does not intend to link NMPA rises automatically to State Pension age increases at this time.

The announcement means that there is the potential for some people to be caught in the middle, being able to access their pension at 55 prior to April 2028, but having to wait until they turn 57 to access any untouched pension funds after this date where they don't qualify for protection. ■

PLANNING FOR THE RETIREMENT YOU WANT

This announcement may, in particular, have an impact on the timing for taking your pension benefits. It's never too early to be planning ahead. To discuss how we can help you plan for the retirement you want, please contact us.

BUDGET 2021

WHAT WAS ANNOUNCED IN CHANCELLOR RISHI SUNAK'S SPEECH?

The Chancellor of the Exchequer, Rishi Sunak, says he would do 'whatever it takes' during the pandemic, and that he has done and will continue to do so. 'It's going to take this country, and the whole world, a long time to recover from this extraordinary situation,' he told Parliament.

Mr Sunak said he wants to be honest about the government's plans for fixing the public finances, and setting out plans for the future. These are the key Budget 2021 takeaways announced from his Budget 2021 speech on 3 March.

ECONOMY

- UK economy contracts by 10% in 2020
- Chancellor forecasts a 'swifter and more sustained' recovery
- 700,000 people have lost their jobs since the coronavirus (COVID-19) pandemic began
- Unemployment expected to peak at 6.5% next year, lower than 11.9% previously predicted

GROWTH

- Economy set to rebound in 2021, with projected annual growth of 4% this year
- Economy forecast to return to pre-COVID levels by middle of 2022, with growth of 7.3% next year

BORROWING

- UK to borrow a peacetime record of £355 billion this year
- Borrowing to total £234 billion in 2021/22
- Debt levels set to peak at 97.1% of GDP in 2023/24

PERSONAL TAXATION, INVESTMENTS AND PENSIONS

- No changes to rates of Income Tax and National Insurance (CPI rise from April 2021)
- Personal Income Tax allowance to be frozen at £12,570 from April 2022 to 2026
- Higher Rate Income Tax threshold to be frozen at £50,270 from 2022 to 2026
- No changes to Inheritance Tax or Lifetime Pension Allowance or Capital Gains Tax allowances until April 2026
- Adult Individual Savings Account (ISA) annual subscription limit for 2021/22 remains unchanged at £20,000
- Annual subscription limit for Junior Individual Savings Accounts (JISAs) and Child Trust Funds for 2021/22 remains unchanged at £9,000

CORONAVIRUS (COVID-19)

- Extension to Coronavirus Job Retention Scheme (CJRS) until the end of September
- 80% of employees' wages to continue to be paid by the government for hours they cannot work
- Employers will be asked to contribute 10% in July, 20% in August and 20% in September, as the economy reopens
- Support for the self-employed extended until September
- 600,000 more self-employed people will be eligible for help as access to grants is widened
- Working Tax Credit claimants will get £500 one-off payment
- Minimum wage to increase to £8.91 an hour from April
- £20 increase in Universal Credit worth £1,000 a year to be extended for another six months

HOUSING

- Stamp Duty Land Tax (SDLT) holiday on property purchases in England and Northern Ireland extended to June, with no tax liability on sales costing less than £500,000

TRANSPORT, ENVIRONMENT AND INFRASTRUCTURE

- Leeds will be the location for a new UK Infrastructure Bank
- The new UK Infrastructure Bank will have £12 billion in capital, with the aim of funding £40 billion worth of public and private projects
- £15 billion in green bonds, including for retail investors, to help finance the transition to net zero by 2050

HEALTH

- £19 million announced for domestic violence programmes, funding a network of respite rooms for homeless women
- £40 million of new funding for victims of 1960s Thalidomide scandal and lifetime support guarantee
- £10 million to support armed forces veterans with mental health needs
- £1.65 billion to support the UK's COVID vaccination rollout

NATIONS AND REGIONS

- £1 billion Towns Fund to promote regeneration in 45 English towns
- Community groups to receive £150 million to take over pubs at risk of closure
- First eight sites for Freeports in England announced
- £1.2 billion in funding for the Scottish government, £740m for the Welsh government and £410m for the Northern Ireland executive
- 750 UK civil servants to be relocated to new Treasury campus in Darlington

OTHER ANNOUNCEMENTS

- Duties on all alcohol frozen for a second year
- No extra duties on spirits, wine, cider or beer
- Eleventh consecutive year fuel duty to be frozen
- £100 million to set up an HMRC taskforce with 1,000 investigators to tackle fraud in COVID support schemes

BUSINESS

- Corporation Tax on company profits set to rise from 19% to 25% in April 2023
- Corporation Tax rate to be kept at 19% for companies with profits of less than £50,000
- Tax breaks for firms to 'unlock' £20 billion worth of business investment
- VAT registration and deregistration thresholds will not change for a further period of two years from 1 April 2022
- VAT rate for hospitality firms to be maintained at reduced 5% rate until September
- Interim 12.5% VAT rate to apply for the following six months
- Firms will be able to 'deduct' investment costs from tax bills, reducing taxable profits by 130%
- Incentive grants for apprenticeships to rise to £3,000 and £126 million for traineeships
- For firms in England, the business rates holiday to continue until June, followed by a 75% discount
- £5 billion in Restart grants for shops and other businesses that closed due to COVID
- £6,000 grant for premises for non-essential outlets and £18,000 for gyms, personal care providers and other hospitality and leisure businesses
- New visa scheme to help start-ups and rapidly growing tech firms source talent from overseas
- Contactless payment limit will rise to £100 later this year
- Review of the current 8% bank surcharge to make sure the sector 'remains internationally competitive' ■

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RETIREMENT OPTIONS

WHAT CAN YOU DO WITH YOUR PENSION POT?

When the time comes to access your pension, you'll need to choose which method you use to do so, with options including: buying an annuity, taking income through (flexi-access) drawdown, withdrawing lump sums or a combination of all of them.

There are advantages and disadvantages to each method, and in some cases your decision is permanent, so it's important to ensure that you obtain professional financial advice when considering your different options.

This is a complex calculation that must take into account the growth rate your investments might achieve, the eroding effects of inflation on your savings, and how long your savings will need to last.

ANNUITIES – GUARANTEED INCOME FOR LIFE

Annuities enable you to exchange your pension pot for a guaranteed income for life. They were once the most common pension option to fund retirement. But changes to the pension freedom rules have given savers increased flexibility.

You can normally withdraw up to a quarter (25%) of your pot as a one-off tax-free lump sum, then convert the rest into a taxable income for life – an annuity. There are different lifetime annuity options and features to choose from that affect how much income you may receive. You can also choose to provide an income for life for a dependent or other beneficiary after you die.

FLEXIBLE RETIREMENT INCOME – PENSION DRAWDOWN

When it comes to assessing pension options, flexibility is the main attraction offered by income drawdown plans, which allow you to access your money while leaving it invested, meaning your funds can continue to grow.

This option normally means you take up to 25% of your pension pot, or of the amount you allocate for drawdown, as a tax-free lump sum, then re-invest the rest into funds designed to provide you with a regular taxable income.

You set the income you want, though this might be adjusted periodically depending on the performance of your investments. You need to manage your investments carefully because, unlike a lifetime annuity, your income isn't guaranteed for life.

SMALL CASH SUM WITHDRAWALS – TAX-FREE

This is an important consideration for those weighing up pension options at age 55, the earliest age at which you can take up to 25% of your pension pot tax-free. You should ask yourself whether you really need the money now. If you can afford to leave it invested until you need it then it has the opportunity to grow further.

For each cash withdrawal, the remaining counts as taxable income and there could be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year. With this option your pension pot isn't re-invested into new funds specifically chosen to pay you a regular income and it won't provide for a dependant after you die.

There are also more tax implications to consider than with the previous two options. So, if you can, it may make more sense to leave it to grow so you can enjoy a larger tax-free amount in years to come. Remember, you don't have to take it all at once – you can take it in several smaller amounts if you prefer.

COMBINATION – MIX AND MATCH

Of all the pension options, if appropriate to your particular situation, it may suit you better to combine those mentioned above. You might want to use some of your savings to buy an annuity to cover the essentials (rent, mortgage or household bills), with the rest placed in an income drawdown scheme that allows you to decide how much you can afford to withdraw and when.

Alternatively, you might want more flexibility in the early years of retirement, and more security in the later years. If that is the case, this may be a good reason to delay buying an annuity until later in life.

THE VALUE OF RETIREMENT PLANNING ADVICE

There will be a number of questions you will need answers to before deciding how to use your pension savings to provide you with an income. These include:

- How much income will each of my withdrawals provide me with over time?
- Which withdrawal option will best suit my specific needs?
- How much money can I safely withdraw if I choose flexi-access drawdown?
- How should my savings be invested to provide the income I need?
- How can I make sure I don't end up with a large tax bill? ■

HOW MUCH ARE YOU SAVING FOR YOUR RETIREMENT?

We can advise on your retirement planning, whether you are in the process of building your pension pot or getting ready to retire. Working closely with you, we will identify what you want from your pension and develop a structure that meets your requirements. To find out more, contact us to discuss your options.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028). 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 TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS-TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

GRANDPARENTS, GRANDCHILDREN AND MONEY

SHARING YOUR WEALTH DURING YOUR LIFETIME CAN MAKE A BIG DIFFERENCE

With all of us leading longer lives, you might be considering how you can help your family when it matters most. Sharing your wealth during your lifetime can make a big difference and bring you a lot of joy, particularly when helping younger generations who are dealing with rising house prices and university fees.

After you've determined how much you can afford to give, there's a simple starting point. What exactly do your grandchildren need, and when do they need it?

The right way to give presents for your grandchildren can vary depending on how old they are, and whether you're concerned about turning over a sizeable amount of money to a child who may still be impressionable.

YOUNGER GRANDCHILDREN

Junior Individual Savings Account (JISA)

If your grandchild is under the age of 18, you might put money into their JISA account. While you won't be allowed to open one on their behalf, you will be able to donate up to their annual JISA limit, which is £9,000 for the 2021/22 tax year.

The benefit of the JISA is that they can't touch the money until they turn 18 – after that, it's theirs to use as they choose. The funds may be stored in cash, invested in securities, or a mixture of both. Investment growth is tax-efficient in a Stocks & Shares ISA, while a cash ISA's interest is tax-free. If you put money away for 18 years, it might grow into a sizeable amount, but the value of any investment will go up and down.

Child's bank account

Alternatively, a child's savings account is a convenient and easy place for families and friends to deposit money for smaller presents. Keep in mind, though, that savers' rates have been poor in recent years and over time, inflation can reduce the value of the savings, because prices typically go up in the future.

OLDER GRANDCHILDREN

Lifetime Individual Savings Account (LISA)

If your grandchild is 18 or older, a LISA will be able to assist them in saving for their first home. If they turned 40 on or before 6 April 2017 they won't be eligible. Only first-time buyers can use a LISA to buy property under age 60.

For every £4 saved, the government will add £1 (worth up to £1,000 every tax year until they turn 50 years old). Up to £4,000 a year is eligible for the 25% bonus (they can add more but it won't receive a government contribution).

The bonus is paid every month, so they benefit from compound growth. They can invest in either cash or stocks and shares and this forms part of their overall annual ISA limit, which is £20,000 in tax year 2021/22.

WOULD YOU LIKE THE REASSURANCE OF SOME CONTROL?

It's understandable to be concerned about giving too much money to grandchildren too young. You might like to have a say in where your money is spent and where it is spread. Putting a gift into trust will alleviate concerns over giving substantial sums to grandchildren before they have reached financial maturity and it can provide grandparents with the leverage they want.

You maintain some control of the assets and to whom and where they are paid as a trustee, and gifts to the trust will lower the estate for IHT. Giving money to your grandchildren may eventually affect the way your estate is taxed, so it's important to obtain professional advice before doing this.

PLAN AHEAD FOR A BRIGHTER FUTURE FOR ALL

There's a lot grandparents can do today, with a little extra thinking and forward planning, to ensure that the money donated goes towards ensuring a brighter future for your loved ones – when you're still alive to enjoy it. ■

GIVING YOUR LOVED ONES FINANCIAL GIFTS

If you're unsure about the best approach for you, talk to us to discuss your options. Please contact us for more information.

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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.

UNLOCKING PROPERTY WEALTH

PLAN FOR THE WORST, HOPE FOR THE BEST

With the rapid changes that have swept the world over the last year resulting from the coronavirus pandemic, some people aged over 50 are facing a different retirement than they may have been expecting.

Some have less savings than they imagined, some have had to access their savings to supplement their income and some have retired earlier than they had planned.

FINANCIAL AFFAIRS IN ORDER

For many, the 2020 experience was a taster of what retirement could be like – as well as providing a jarring reminder to people to put their financial affairs in order.

Unfortunately, not everyone has sufficient pension savings to fully recover from these events, which has led some people to look for alternative ways to fund their retirement. One of the options is using their property wealth.

HOME OWNERSHIP AMONG OVER-50S

People in the UK pay off their mortgage at an average age of 54, according to recent research[1]. The average home value is in the region of £240,000. That's a significant amount of wealth to have tied up in property, particularly for those people who don't have enough cash to cover their everyday expenses.

Downsizing is one option for accessing that wealth, but the research highlighted that more than half of over-50s say they love their home and couldn't imagine moving to another property.

ACCESSING THE CASH WITHOUT MOVING OUT

A second option to make use of property wealth – without the hassle of moving – is through equity release. Equity release can mean either a lifetime mortgage, where a loan is secured against the home and the homeowners are not required to make any repayments during their lifetime, or home reversion, where a portion of the home is sold but the homeowners retain the right to live in it.

Equity release unlocks the value built up in your home as a tax-free lump sum. There's no need to move out and you'll still own your home. With equity release, you don't have to make monthly payments unless you choose to. It's usually repaid when the last borrower moves into long-term care or dies. Equity release also comes with a 'no negative equity guarantee', which means the beneficiaries are not left with a bill.

DECIDING WHICH OPTION IS RIGHT FOR YOU

Equity release isn't for everyone. 10% of over-50s say it's the option they're most likely to consider if they need more cash in retirement, while 27% say they'll retire later or come out of retirement, and 32% say they're more likely to downsize.

However, 90% of over-50s say they only understand a little about equity release. Some of the common concerns are that they don't want to risk losing their home, that they won't be able to leave an inheritance or that their children will be left with a bill, but these are all misconceptions. ■

Source data:
https://www.sunlife.co.uk/equity-release/equity-release-report-2020/

UNLOCKING CASH FROM YOUR HOME

If you're among the people who don't know much about equity release, finding out more could give you an alternative option that you didn't know you had. It could provide a tax-free lump sum that pays for home improvements, provides additional funds during your retirement or helps you support your children and grandchildren. To find out more, please contact us.

HOME REVERSION PLANS AND LIFETIME MORTGAGES ARE COMPLEX PRODUCTS. TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR A PERSONALISED ILLUSTRATION.

EQUITY RELEASE WILL REDUCE THE VALUE OF YOUR ESTATE AND CAN AFFECT YOUR ELIGIBILITY FOR MEANS-TESTED BENEFITS.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME.

YOUR MORTGAGE IS SECURED ON YOUR HOME, WHICH YOU COULD LOSE IF YOU DO NOT KEEP UP YOUR MORTGAGE PAYMENTS.

CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT.

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