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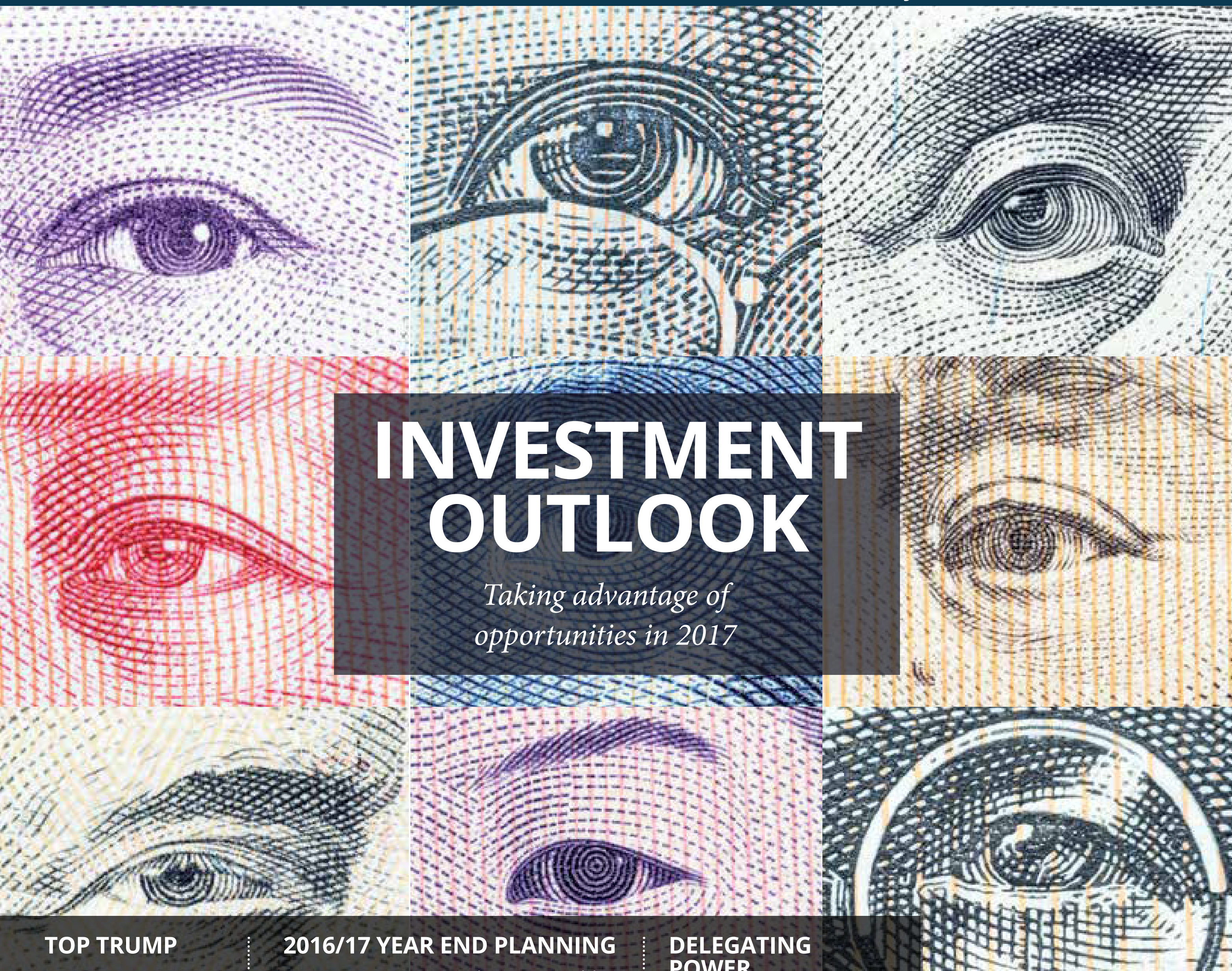

INVESTMENT OUTLOOK

Taking advantage of opportunities in 2017

TOP TRUMP
Winners and losers from the seismic US election result

2016/17 YEAR END PLANNING
Keeping your taxes as low as possible – what you may wish to consider sooner rather than later

DELEGATING POWER
When you are unable to make your own decisions

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INSIDE THIS ISSUE

Welcome to our first issue of 2017. Did you make any resolutions concerning your personal finances last January? If so, how did you do? If it didn't all go according to plan, now is the perfect time to start again and reassess your position by considering ways to improve your financial well-being for today and your future.

Last year was the year of seismic election results, both in the UK and the US, which will determine the national and international political and financial landscape for decades to come. After a long and brutal US presidential election campaign, Donald Trump emerged victorious as the surprise victor. His inauguration is scheduled for Friday 20 January when he'll become the 45th President of the United States. On page 04, we consider who are likely to be the winners and losers.

The 2016/17 Year End for tax planning purposes is now only a matter of months away with the deadline approaching on 5 April. Effective tax planning is about knowing the personal and business taxes you are liable to pay and acting to legally minimise them. It is also about maximising your net income and creating opportunities to invest and save tax-efficiently for the current and future needs of your business, your family and yourself. Turn to page 06 to read the full article.

After a game-changing 2016, the investment environment was not only mixed but characterised by uneven global growth. On page 08, we look ahead to this year's gradual repair of the global economy and greater political clarity in the USA which should allow investors to take advantage of opportunities in 2017.

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

To discuss any of the articles featured in this issue, please contact us.

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THE AVERAGE AGE OF THOSE REGISTERING A LPA (KNOWN AS 'DONORS') HAS FALLEN FROM 79 IN 2008 TO 75 IN 2015. IT SUGGESTS THAT AS AWARENESS OF MENTAL HEALTH CONDITIONS INCREASES, PEOPLE ARE BECOMING INCREASINGLY INCLINED TO PREPARE EARLIER IN LIFE.

DELEGATING POWER

When you are unable to make your own decisions

MORE THAN TWO MILLION LASTING POWER OF ATTORNEY (LPA) REGISTRATIONS WILL HAVE BEEN FILED BY THE END OF 2016, WITH THE NUMBER OF APPOINTMENTS MORE THAN TREBLING BETWEEN 2010 AND 2015.

The figures from the Office of the Public Guardian (OPG) were disclosed through a Freedom of Information request by Old Mutual Wealth.

TRUSTED FRIEND

An LPA is used to delegate power to someone to manage an individual's personal and/or welfare affairs in the event that they become mentally incapacitated.

There are two types: Property & Financial Lasting Power of Attorney (P&F LPA) and Health & Welfare Lasting Power of Attorney (H&W LPA). Registering an LPA covering either or both of these areas means that someone gives a trusted friend, family member, solicitor or other individual the responsibility for managing their affairs if they become mentally incapacitated.

OWN DECISIONS

Not having an LPA in place can cause problems for both individuals and their families if they become unable to make their own decisions. LPAs were introduced in 2007 following concerns around potential 'abuse' of the existing Enduring Powers of Attorney process.

The average age of those registering an LPA (known as 'donors') has fallen from 79 in 2008 to 75 in 2015. It suggests that as awareness of mental health conditions increases, people are becoming increasingly inclined to prepare earlier in life.

LIFE PLANNING

Building a financial plan does not have to be only about investing for the future. The most detailed financial planning goes hand in hand with your life planning, and appointing an attorney through a Lasting Power of Attorney is a way to ensure management of your personal affairs is factored into your financial preparations for retirement and later life.

The data shows that hundreds of thousands of people every year are now putting in place a Power of Attorney, delegating responsibility for their health or financial decisions to a trusted friend or relative in case they become mentally incapacitated in later life.

CERTAINTY OVER THE FUTURE MANAGEMENT OF YOUR FINANCIAL AFFAIRS

Talking to your parents or other family members about this is a delicate issue. And it is all too easy to take it for granted that you will always be in a position to manage your own affairs. But mental incapacity is something that affects millions of people, and by planning ahead it is possible to confront the matter head-on, giving both you and your family some certainty over the future management of your financial affairs, welfare decisions, or both.

TOP TRUMP

Winners and losers from the seismic US election result

AFTER A LONG AND BRUTAL US PRESIDENTIAL ELECTION CAMPAIGN, DONALD TRUMP EMERGED VICTORIOUS, WINNING 279 ELECTORAL VOTES AND 47.5% OF THE POPULAR VOTE. REPUBLICANS ALSO MAINTAINED MAJORITIES IN THE HOUSE AND THE SENATE.

His inauguration is scheduled for Friday 20 January. Trump will be sworn in as the 45th President of the United States on the steps of the US Capitol at noon, when current president Barack Obama's term expires.

THE UK, EUROPEAN AND ASIAN MARKETS INITIALLY FELL ON NEWS OF AMERICA'S ELECTION RESULT, BUT MARKETS THEN LARGELY RECOVERED. THE SHORT-TERM MARKET REACTION REFLECTED THIS UNCERTAINTY, BUT FOR INVESTORS THE LONG-TERM OUTLOOK IS MORE IMPORTANT.

WHO ARE THE CLEAR WINNERS?

Initially, the clear winners of this seismic election result appear to be US infrastructure and business. Trump has pledged to rebuild roads, rail, hospitals and schools, and promised US corporations will pay no more than 15% tax on profits: the biggest concession since Reagan's tenure.

Fossil fuel companies could benefit given Trump's disbelief in global warming and promotion of US energy independence. Pharmaceuticals could benefit too, with price controls less of a concern than if Clinton had won. Finally, banks could flourish as regulations are potentially relaxed.

GREATEST IMPACT FOR THE US ECONOMY

Areas of greatest impact for the US economy are increased fiscal spending, an issue with clear bipartisan support and the more negative uncertainty associated with Trump's trade policy. On international trade, there is potentially greater uncertainty as a result of Trump's ability to act unilaterally on tariffs without Congressional approval. This is as far-ranging as withdrawals from trade agreements such as the North Atlantic Free Trade Agreement (NAFTA) or as tactical as his much talked-about China tariffs.

The UK, European and Asian markets initially fell on news of America's election result, but markets then largely recovered. The short-term market reaction reflected this uncertainty, but for investors the long-term outlook is more important.

KEY POINTS TO CONSIDER

First, the US economy that President Trump inherits is in relatively good shape. Economic growth picked up in 2016, while the unemployment rate is close to any economist's definition of full employment. Profits of companies in the S&P 500 rebounded smartly from the oil-and-dollar-induced slump of 2015, and inflation is still moderate. Moreover, the global economy is also showing signs of life, with the global manufacturing purchasing managers' index – a survey of activity in the manufacturing sector – hitting a two-year high towards the end of last year. All of this, absent political uncertainty, would be positive for share prices and negative for bonds.

Second, the uncertainty and volatility following the election will (for now) reduce the probability of US interest rate rises, although the Federal Reserve will want to leave its options open until it can assess the market and economic fallout from the election result.

Third, while the results represented a Republican sweep, actual policy change may be far less dramatic than was proposed by Trump during the campaign. It should be noted that there is a wide gulf between Trump's agenda and that of many 'establishment' Republicans, and the latter may well balk at unfunded tax cuts or spending increases. In addition, both the new president and Congress will likely act more slowly on dismantling the Affordable Care Act or trade agreements until some better alternatives can be found.

VOTERS CHOOSE CHANGE OVER CAUTION

It should also be noted that, as was the case elsewhere in the world last year, voters have chosen change over caution – and politicians tend to respond to what voters want rather than what they need. While the Trump agenda is unlikely to be implemented in full, members of Congress may be willing to go along with some proposals to increase spending, lower taxes, reduce illegal immigration and increase tariffs. If they do so, they may well further stoke inflation in an economy that is already heating up. Longer term, increasing government debt to fund these initiatives has obvious dangers.

In the medium term, a warming economy – further stoked by expansionary fiscal policy – could favour equities over government bonds. In the long term, maintaining a diversified portfolio of investments may be more important than ever. In light of the Brexit vote and the US elections, 2016 proved decisively that populism is a good political strategy – whether it proves to be good for long-term economic fortunes is another question entirely. ◂

INVESTMENTS BASED UPON YOUR UNIQUE NEEDS

Political challenges in the USA and Europe are going to characterise investment throughout 2017 and beyond. If you would like to discuss how to navigate your way through these challenges, we provide access to a variety of investment products to help you select the investments based upon your unique needs. To review your current situation, please contact us – we look forward to hearing from you.

2016/17 YEAR END PLANNING

Keeping your taxes as low as possible – what you may wish to consider sooner rather than later

THE 2016/17 YEAR END FOR TAX PLANNING PURPOSES IS NOW ONLY A MATTER OF MONTHS AWAY, WITH THE DEADLINE APPROACHING ON 5 APRIL. EFFECTIVE TAX PLANNING IS ABOUT KNOWING THE PERSONAL AND BUSINESS TAXES YOU ARE LIABLE TO PAY AND ACTING TO LEGALLY MINIMISE THEM. IT IS ALSO ABOUT MAXIMISING YOUR NET INCOME AND CREATING OPPORTUNITIES TO INVEST AND SAVE TAX-EFFICIENTLY FOR THE CURRENT AND FUTURE NEEDS OF YOUR BUSINESS, YOUR FAMILY AND YOURSELF.

While there is no doubt that the tax system is complex, you should not let complexity deter you from a simple goal: keeping your taxes as low as possible. We have provided some of the key areas you may wish to consider, if applicable to your particular situation.

PERSONAL ALLOWANCE

Aim to ensure each spouse uses their full Personal Allowance for Income Tax purposes where possible. Annual income of less than currently £11,000 is not liable to tax. Spouses and registered civil partners should consider the possible transfer of income-producing assets to ensure that Personal Allowances are not wasted.

PERSONAL ALLOWANCE FOR HIGH EARNERS

Your Personal Allowance goes down by £1 for every £2 that your adjusted net income is above £100,000. This means your allowance is zero if your income is £122,000 or above. If appropriate to your particular situation, making charitable donations that qualify for Gift Aid could reduce total income. In addition, annual gross personal pension contributions may be deducted from total annual-earned income for the calculation of adjusted income, and certain other investment structures may qualify for significant tax rebates which could be used to offset the reduction. Also, moving investments that generate income from taxed to tax-efficient environments could also reduce an individual's 'net adjusted annual income'.

TAX-RELIEVABLE PENSION CONTRIBUTIONS

The Annual Allowance for making tax-relievable pension contributions is £40,000, so consideration should be made to utilising the full Annual Allowance for 2016/17 by 5 April 2017. 'Tax-relievable pension contributions' relates to personal contributions and the availability of the Annual Allowance, and any carry forward relief is subject to 100% Net Relevant Earnings (NRE). It is possible to carry forward unused Annual Allowances from the previous three tax years, so it may be possible to receive tax relief in the current tax year on contributions in excess of £40,000 with a little planning.

TAX-RELIEVABLE PENSION FOR HIGH EARNERS

For high earners, the Annual Allowance definition is more complicated, but those with an annual 'adjusted income' of more than £150,000 will be reduced to as little as £10,000 for 2016/17. There are two triggers for a reduction in the annual allowance, both of which must apply for the allowance to be reduced. The first is that the individual's adjusted income for the year is more than £150,000. The second is that the individual's `threshold income' for the year is more than £150,000 less the standard annual allowance for the year. Thus the threshold income limit is £110,000 for 2016/17 (£150,000 less the standard annual allowance of £40,000).

Essentially, 'adjusted income' is all income including pension contributions (both individual and employer contributions), whereas threshold income excludes pension contributions.

Where the individual has both adjusted income of more than £150,000 and threshold income of more than £110,000 for 2016/17, the annual allowance of £40,000 is reduced by £1 for every £2 by which adjusted income exceeds £150,000. The maximum reduction is £30,000, meaning that the minimum allowance for 2016/17 is £10,000. This will apply to anyone with adjusted income of more than £210,000 (and threshold income of more than £110,000).

PENSION LIFETIME ALLOWANCE

The pension Lifetime Allowance – the total amount of UK pension savings each individual is allowed to build up in their lifetime – is currently £1 million. An individual is able to accumulate more than the Lifetime Allowance, but the sum in excess of the Lifetime Allowance will be subject to a 55% tax charge. The 'flexible drawdown' pension rules now in place from 6 April 2015 onwards allow individuals the opportunity to plan their affairs to manage the level of the money they take from their pension pot to both minimise annual Income Tax liabilities and keep within the Lifetime Allowance. A review of what you could draw down as income from your pension funds before 6 April 2017 could prove worthwhile.

TAX-FAVOURABLE INVESTMENTS

If appropriate to your particular situation, the use of tax-favourable investments such as Individual Savings Accounts (ISAs), Enterprise Investment Schemes (EISs), Seed Enterprise Investment Schemes (SEISs) and Venture Capital Trusts (VCTs) should be reviewed in conjunction with your financial adviser. Up to £15,240 per person (so up to £30,480 for a married couple) can be invested in an ISA for the 2016/17 year. EISs, SEISs and VCTs are generally considered high risk investments and may not be considered suitable for all types of investors.

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COMPANY DIVIDENDS

From 6 April 2016, company dividends are still treated as the top slice of income but will no longer be grossed up, and will be taxed at 7.5% in the basic rate band, 32.5% in the higher rate band and 38.1% in the additional rate band. However, the first £5,000 of dividends will be tax-free to the recipient, no matter which tax band you fall in.

CAPITAL GAINS TAX

It's important to consider utilising your tax-free Capital Gains Tax Annual Exemption, currently £11,100. Each spouse or registered civil partner is entitled to the exemption each year, so gifts between spouses prior to sales of assets may be tax-effective. It may be worth crystallising capital losses where gains in excess of the Annual Exemption have been made. The deferral of sales until after 5 April may see tax paid at lower rates and provide significant cash flow benefits in terms of when tax needs to be paid.

INHERITANCE TAX

The use of and the carrying forward of the £3,000 annual exemption should be reviewed, together with other possible exemptions such as those for small gifts of up to £250 per individual, regular gifts out of normal annual income and tax-free gifts in consideration of marriage, which can range between £1,000 and £5,000 depending on the relationship with the person getting married.

LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

WANT TO EXPLORE THE OPTIONS AVAILABLE TO YOU?

We all have to pay our taxes, but within the legal framework there are numerous ways of saving tax and making sure you do not pay more than is absolutely necessary. If you would like to explore the options available to you in preparation for the 2016/17 year end, please contact us sooner rather than later.

MONEY PURCHASE ANNUAL ALLOWANCE

Reduction to prevent inappropriate double tax relief

CHANCELLOR OF THE EXCHEQUER, PHILIP HAMMOND, DELIVERED HIS FIRST AND LAST AUTUMN STATEMENT TO PARLIAMENT ON WEDNESDAY 23 NOVEMBER 2016.

He announced that the Money Purchase Annual Allowance (MPAA), an annual amount individuals can contribute to defined contribution pensions after having previously accessed a pension flexibly, will be reduced from £10,000 to £4,000 and come into force from April 2017.

This announcement will affect taxpayers (employees and self-employed) who have withdrawn amounts from their pension fund and then want to top the fund up again. The £10,000 limit was introduced in April 2015.

The Chancellor said the decision was taken 'to prevent inappropriate double tax relief,' and the Government would consult on further details for the plans.

In a consultation released alongside the Autumn Statement, the Government said: 'The Government believes that an allowance of £4,000 is fair and reasonable and should allow people who need to access their pension savings to rebuild them if they subsequently have opportunity to do so.

'Importantly, however, it limits the extent to which pension savings can be recycled to take advantage of tax relief, which is not within the spirit of the pension tax system. The Government does not consider that earners aged 55 plus should be able to enjoy double pension tax relief i.e. relief on recycled pension savings.'

This change will impact on those individuals who may have needed to withdraw funds unexpectedly and then want to top them up when their circumstances change. This may also lead to use of the new Lifetime ISA (LISA) available shortly as an alternative.

The Treasury anticipates it will raise £70 million from the reduction during 2017/18, rising to £75 million by 2020/21.

The 'annual allowance' is a limit on the amount that can be contributed to your pension each year while still receiving tax relief. It's based on your earnings for the year and is capped at £40,000, which still remains unchanged following the Autumn Statement. The Government has also left the 'Lifetime Allowance' – the amount you can save into a pension in total – unchanged at £1 million.

KEEP YOUR FINANCIAL PLANS ON TRACK

Last year's Autumn Statement marked the first major fiscal event since the UK voted to leave the EU. There were fewer surprises than we may have been expecting, but there were still some announcements that could derail your financial plans. To review what action you may need to take to keep your plans on track, please contact us.

LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE AND THE VALUE DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF THE INVESTOR.

INVESTMENT OUTLOOK

Taking advantage of opportunities in 2017

AFTER A GAME-CHANGING 2016, THE INVESTMENT ENVIRONMENT WAS NOT ONLY MIXED BUT CHARACTERISED BY UNEVEN GLOBAL GROWTH AND POLITICAL EVENTS SUCH AS BREXIT AND THE US ELECTIONS.

Looking ahead, gradual repair of the global economy and greater political clarity in the USA should allow investors to take advantage of opportunities in 2017. However, political events could again trigger further turbulence this year, but central banks will probably continue to suppress market risk. In such an environment, market corrections can offer opportunities for appropriate investors

FISCAL EXPANSION

Global growth should improve somewhat in 2017 but remain well below pre-crisis levels. The differentials between countries are likely to stay pronounced, not least as high debt limits the leeway for fiscal expansion in the weaker economies. Commodity price stabilisation in 2016 suggested that inflation should edge up. With the inflation upturn more advanced, the US Federal Reserve is likely to raise rates further, albeit cautiously. Other central banks should maintain a more accommodative stance but shift away from mechanical balance sheet expansion.

US policy and investment plans will be keenly watched to see how they are going to be delivered. Within Europe, there will be continued key Brexit negotiations that will impact on economies and corporate profitability. Overriding that, in 2016 there was a very strong US dollar, so it will be interesting to note how this plays out for international companies.

IMPORTANT FACTORS

The price of oil will again be very important. It recovered gently in 2016, and it will be interesting to see the situation regarding supply contracts and whether we see a rise in the price – both of which tend to dent global growth. Undoubtedly, there will be a lot of important factors that will have a bearing in 2017, and trying to judge how they all interact will be the key to making investment decisions.

Some analysts expect global growth to improve in 2017, though any acceleration is likely to be limited. Due to stabilising commodity prices and the advanced US business cycle, inflation should edge higher but not pose a threat.

LONGER-TERM GROWTH

The Eurozone, the USA and Japan should see continued moderate economic growth. The longer-term growth outlook for the UK is clouded, as Brexit could depress investment. The path to Brexit will continue to dominate the headlines and take up a great deal of political energy. An important consideration for the markets is how and when the European Central Bank (ECB) chooses to normalise its monetary policy. It also promises to be an eventful year in the broader Europe, Middle East and Africa (EMEA) regions.

Due to the divergence between a slightly tighter Fed and a still very accommodative ECB, the EUR is unlikely to make gains against the USD. The GBP should stabilise given its drop below fair value in 2016.

EQUITY VALUATIONS

US earnings growth is needed to sustain higher equity valuations. With fewer buybacks, rising yields and earnings expectations vulnerable to disappointment, the S&P 500 total returns are expected to be in the region of 3–5% in 2017. Non-US investors will need to look out for further bouts of dollar weakness to offer opportunities to accumulate the US currency and add asset exposure for yield and potential currency gains through 2017.

STABLE GROWTH

Asia should look forward to stable growth in 2017, underpinned by a structural transition from manufactured exports to services-based consumption. A supportive confluence of firming economic growth, reasonable valuations and improving profitability have lead many commentators to suggest that emerging Asian equities should perform well in 2017, possibly outperforming their global counterparts.

After a prolonged period of weakness, there are signs of a moderate growth improvement in Latin America, while inflation is retreating. Central banks should be able to ease policy, albeit cautiously. Still fairly high real interest rates bode well for continued gains in Latin American fixed income. The outlook for Latin American equities looks more muted than in other emerging markets given fairly high valuations. ◂

BUILDING THE INVESTMENT PORTFOLIO THAT SUITS YOU

By understanding your financial goals, we can proactively help you build the investment portfolio that meets your aims and objectives. Ultimately, you choose the level of advice that you need, and we work with you in a way that suits you. To find out more, please contact us.

LIFETIME INDIVIDUAL SAVINGS ACCOUNTS

Make your next move to saving flexibly for a first home and retirement

LIFETIME INDIVIDUAL SAVINGS ACCOUNTS ARE BEING LAUNCHED BY THE GOVERNMENT TO HELP 18–40-YEAR-OLDS TO SAVE AND INVEST FLEXIBLY FOR THE LONG TERM. THE AIM IS THAT PEOPLE WILL NOT HAVE TO CHOOSE BETWEEN SAVING FOR THEIR FIRST HOME AND RETIREMENT.

They can use some or all of the money to buy their first home or keep it until they're 60. Similar to normal Individual Savings Accounts, they won't have to pay any Capital Gains Tax or further Income Tax on profits taken.

GOVERNMENT BONUS

Individuals can save and invest up to £4,000 each year and receive a government bonus of 25% – that's a bonus of up to £1,000 a year, and they can use some or all of the money to buy their first home or keep it until they're 60 – it's up to them.

Lifetime ISA accounts will be available from 6 April 2017 and can be opened between the ages of 18 and 40, and any savings put in before their 50th birthday will receive an added 25% bonus from the Government.

There is no maximum monthly contribution – someone can save as little or as much as they want each month (up to £4,000 a year), with the total amount they can save each year into all Individual Savings Accounts being increased from the current £15,240 to £20,000 from 6 April 2017. The £20,000 ISA allowance excludes contributions to any Junior ISAs, which have their own distinct allowance applying to each child.

SAVING FOR A FIRST HOME

Any time from 12 months after opening a Lifetime ISA, individuals will be able to use their savings and bonus from one of the accounts towards a deposit on their first home worth up to £450,000 in the UK.

If they have a Help to Buy Individual Savings Account, they can transfer those savings into a Lifetime ISA in 2017 or continue saving in both, but they will only be able to use the bonus from one of the accounts to buy a house.

SAVING FOR RETIREMENT

After their 60th birthday, they can take out all the savings tax-efficiently. If they withdraw the money before they turn 60, they will lose the government bonus (and any interest or growth on this). They will also have to pay a 5% charge. ◂

QUALITY PROFESSIONAL FINANCIAL ADVICE

Creating and maintaining the right investment strategy plays a vital role in securing your financial future. We can provide the quality professional financial advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals. To find out more, please contact us.

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FINANCIAL FUTURES

Building a nest egg for when children need it

THE PROSPECT OF A CHILD LEAVING HOME IS SCARY ENOUGH FOR PARENTS – AND THEN THERE'S MONEY TO THINK ABOUT. EVEN IF THEY GET A STUDENT LOAN OR FIND WORK, HOW WILL THEY BE ABLE TO AFFORD THEIR FIRST CAR OR HOME? PARENTS AND FAMILY OFTEN DO WHAT THEY CAN TO HELP GIVE CHILDREN A FINANCIAL LEG-UP, WITH MANY CHOOSING TO SET ASIDE MONEY FOR THEIR FUTURE DURING THEIR CHILDHOOD.

When you consider the rising costs associated with your child growing up, there's no doubt it makes sense to consider saving to give them a head start with their future. Whether this is with university tuition fees in mind or simply to help with the costs of buying a first car or home, saving regularly can help to build a nest egg for them when they need it.

HIGHER SAVINGS

In a survey of 2,000 UK adults conducted for M&G in October 2016, almost half (48%) said they had saved or invested money for a child or grandchild under the age of 18 in the last five years. The most common form of saving, according to the survey, has been into children's bank savings accounts, despite interest rates on cash savings being near record lows.

14% of parents and grandparents reported that they had used another vehicle for child savings: the Junior Individual Savings Account (ISA). The advantage of ISAs is that any returns will be exempt from personal taxation. This will not necessarily be the case for other types of account.

LONGER TERM

Junior ISAs can hold stocks and shares as well as cash savings. Given that the money is tied up until their 18th birthday, taking a long-term approach – and potentially accepting some degree of investment risk – could allow the child's money to grow more than it could if kept in cash.

Given the large costs young adults can face – from university to buying a home, or even getting married – any additional returns that you could generate on your children's savings will be valuable.

FURTHER EDUCATION

Two in five (40%) of those who have saved or invested for their child or grandchild said they don't mind how the money is ultimately spent, but most would prefer it to be spent in a certain way. More than one in three (35%) said they hoped it would help cover the costs of further education.

However, once children reach 18, they'll usually be able to draw on their savings and be able to use them as they see fit – a disconcerting prospect for any parents and grandparents who fear their hard-earned money will be frittered away.

FINANCIAL RESPONSIBILITY

Confidence in the financial responsibility of young adults could certainly be greater. One in three of our survey respondents (32%) said they would be more likely to save for their child or grandchild if they knew the child understood how to manage money responsibly.

Others take a harder line: 17% said they would be more inclined to save for a child if they decided how it's spent, and 22% would if the money could only be tapped at 21, not 18.

SAVE OR INVEST

For grandparents, a simple change in government policy could help. Currently, only parents or guardians can open a Junior ISA for a child. The survey found that 31% of grandparents would be more likely to save or invest for their grandchildren if they could open an account such as a Junior ISA themselves.

When you're thinking about investing through an ISA, it's important to remember that ISA tax rules may change in the future. The tax advantages of investing through an ISA will also depend on your personal circumstances.

Source data:
Opinium survey of 2,000 UK adults, conducted for M&G October 2016

WONDERFUL GIFT FOR THE FUTURE

Saving for a child today is a wonderful gift for their future. Not only can they start their adult lives with some savings in hand, but getting them involved early with saving also helps them learn important lessons about money. If you would like to look at the options available, please contact us.

STOCKS AND SHARES WITHIN A JUNIOR ISA DO NOT INCLUDE THE SAME SECURITY OF CAPITAL WHICH IS AFFORDED WITH CASH WITHIN A JUNIOR ISA.

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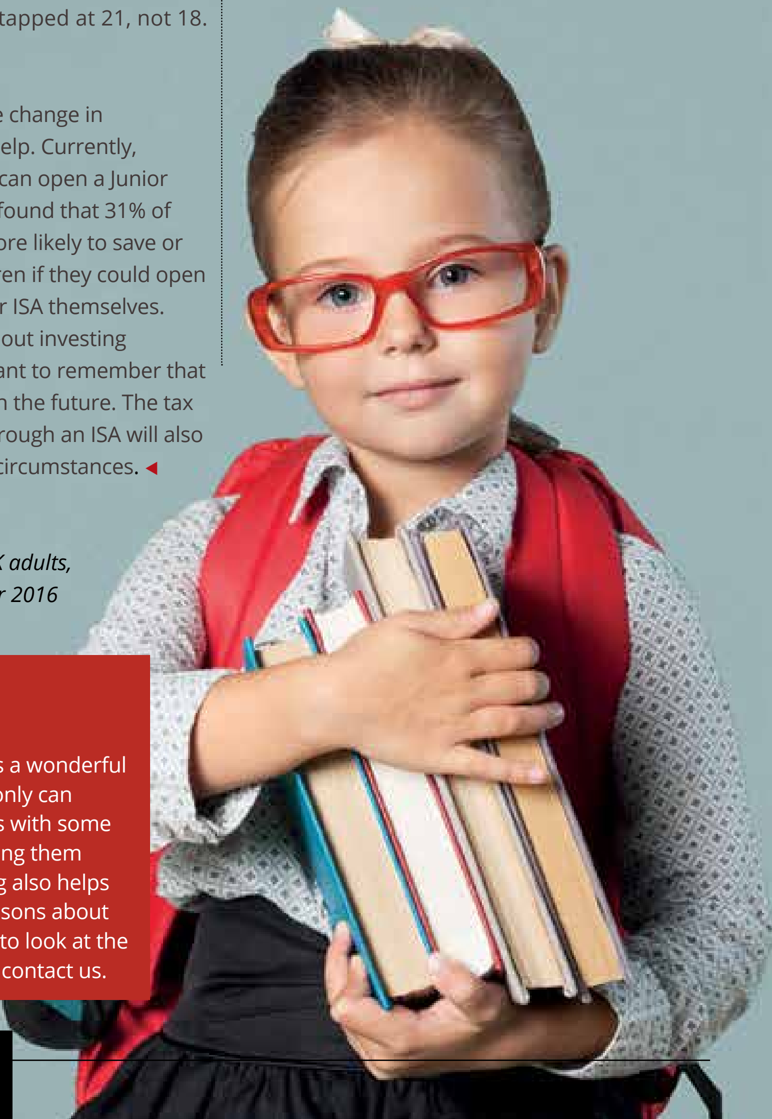

GENDER SAVINGS GAP WIDENS

Report findings suggest this trend is set to continue

HALF OF WOMEN (52%) ARE NOW SAVING ADEQUATELY FOR THEIR RETIREMENT COMPARED TO 60% OF MEN, ACCORDING TO THE LATEST SCOTTISH WIDOWS 'WOMEN & RETIREMENT' REPORT. BUT WHILE THIS MAINTAINS THE RECORD HIGH LEVELS ACHIEVED IN 2015, THE GAP BETWEEN MEN AND WOMEN HAS WIDENED SINCE 2014 WHEN 50% OF WOMEN WERE SAVING ADEQUATELY COMPARED WITH 55% OF MEN.

Pessimism levels are also higher among women, with nearly three fifths (57%) concerned they are not preparing adequately for retirement, compared with only two fifths (41%) of men.

ABILITY TO SAVE FOR RETIREMENT

Shifting patterns in employment among women appear to be impacting their ability to save for retirement. Close to 1.5 million women in the UK are now self-employed – a 22% increase in four years and twice the rate of self-employed men[1]. Just over a third (36%) are saving adequately for retirement, compared with 47% of self-employed men and 58% of employed women. The findings suggest this trend is set to continue, with over three fifths (62%) of self-employed women claiming they don't think they will be able to save any more in the next 12 months, compared with less than half (46%) of men in the same position.

Additionally, with 16% of women working part-time, a significant proportion could be exposed when it comes to saving for their retirement due to the fact that automatic enrolment is only triggered when employees earn £10,000 a year or more. Twice as many women as men (6% versus 3%) are working at least two jobs, yet still failing to qualify for automatic enrolment as the amount they earn from each is below the £10,000 threshold.

BLEAKER OUTLOOK ON FINANCES

Women also appear to be more negatively impacted by their personal circumstances than men, with only 42% of divorced women saving adequately compared with 47% of divorced men. Divorced women have a bleak outlook on their financial futures, with seven in ten (70%) thinking it is unlikely that they will be able to save more in the next 12 months than they do now – compared with an average of 60% of women overall.

Younger women are the least optimistic about their retirement, with only 18% of women aged 18–29 feeling positive compared with 25% of men in the same age group. The findings suggest that a lack of understanding of retirement planning is to blame: a third (33%) of 18–21-year-old women claim that they would be encouraged to start saving if they had better access to information on pensions or retirement planning. Two fifths (42%) aged 22–29 would be encouraged if they could see the value of their pension alongside their other savings, either online or via an app.

Automatic enrolment could be particularly effective for young female savers, with one third (33%) of 22–29-year-olds saying it would encourage them to start paying into a pension, compared to 29% of men. ◂

MAKE THE MOST OF YOUR RETIREMENT OPPORTUNITIES

Whether you need to set up or review existing retirement planning strategies, or would like to find out how you could maximise your retirement opportunities, please contact us.

Source data:

[1] http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/august2016/ and https://www.gov.uk/government/collections/family-resources-survey--2

The Scottish Widows UK 'Women and Retirement' Report is based on an online sample of 5,151 adults. Fieldwork was undertaken between 13 April 2016 and 26 April 2016 and is one of the largest surveys into employee attitudes on women, savings and pensions. The figures have been weighted and are representative of all UK adults (aged 18+).

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY 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.

FORGOTTEN PENSIONS

Out of sight, out of mind

THE EXTENT TO WHICH PENSION POLICIES ARE BEING FORGOTTEN HAS BEEN REVEALED IN RESEARCH FROM AVIVA. A SURVEY OF ALMOST TEN THOUSAND PEOPLE WHO HOLD A PENSION HAS REVEALED THAT JUST UNDER ONE IN EIGHT (13%) ADMITTED THEY HAVE AT LEAST ONE PENSION THAT THEY HAD FORGOTTEN ABOUT[1]. THIS IS EQUAL TO MORE THAN 2.5 MILLION PENSION POLICIES CURRENTLY SITTING IN THE BACK OF PEOPLE'S MINDS[2].

Among those with a forgotten pension, the majority believe they have misplaced one pot (77%), although 17% think they have forgotten about two and 6% have forgotten three or more.

According to government figures, there is an estimated £400 million in unclaimed pension savings[3]. At the same time, almost three in five (59%) UK adults are worried about not having enough money to last them in retirement[4].

ANNUAL STATEMENT

Most pension schemes of which you've been a member must send you a statement each year. These statements include an estimate of the retirement income that the pension pot may generate when you reach retirement.

If you're no longer receiving these statements – perhaps because of changes of address – then to track down the pension there are three bodies to contact: the pension provider, your former employer if it was a workplace pension, or the Pension Tracing Service.

BOOST TO RETIREMENT

Although tracking down a lost pension can provide a valuable boost to retirement income, those who delay could receive a smaller amount than expected. A forgotten pension may have been subject to charges and not invested in the best way suited to the policyholder, making it worth less than it would have been if it had been actively managed.

The research revealed the lack of engagement around pensions. More than a quarter of savers (28%) admitted to never reviewing their retirement savings, while almost a fifth (19%) of those with a pension said they review it less than once every five years[5].

FUND CHOICES

Since the introduction of the Pensions Act 2008, every employer in the UK must put certain staff into a pension and contribute to it – this is called 'automatic enrolment'. Since the introduction of automatic enrolment, the number of pension savers who are unaware of their fund choices or have never reviewed them has risen to almost 1.5 million people or 15% of private sector employees, up from 9% at the start of 2013[6].

It's also important to be aware of the potential consequences of having a number of different pension pots with small amounts of money in each. It's likely that there will still be charges taken out of those pots for their management and administration and that can have implications if you are no longer contributing into them. ◂

ACHIEVE YOUR RETIREMENT GOALS

Regardless of the life stage you have arrived at, it is important to receive expert and professional advice on your pension plans and requirements. For more information about how we could help you achieve your retirement goals, please speak to us.

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Source data:

[1] YouGov survey of 9,910 people in the UK (Jan–Dec 2015) who hold a pension carried out on behalf of Friends Life, now part of the Aviva group
[2] ABI Key Facts 2015 says there are 20.8m individual pension policies in force. 13% of 20.8m = 2.7m
[3] DWP: https://www.gov.uk/government/news/new-pension-tracing-service-website-launched
[4] Research conducted for Aviva by Censuswide, with 2002 General Consumers aged 18+ in GB between 30 September and 5 October 2016. The survey was conducted from a random sample of UK adults.
[5] YouGov survey of 9,498 people in the UK carried out on behalf of Friends Life, now part of the Aviva Group
[6] Aviva's latest 'Working Lives' Report and analysis of data from the Office for National Statistics (ONS).

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