ISSUE 19 ■ WINTER 2017

INFORMED

Working with professional partners

by Clayden FINANCIAL
INDEPENDENT FINANCIAL ADVISERS

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Will you be able to afford the retirement lifestyle you want?

'Empty nesters' plan to downsize

Convenience rather than cash is the biggest motivation

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In this issue...

Christmas arrangements

Clayden Financial will close at 12.30pm on Friday 22nd December and will be open again for business on Tuesday 2nd January 2018. If you do need to speak to us urgently, do leave a message on our answerphone (01473 730090). We will monitor our calls regularly over the festive break.

As in previous years, we will not be sending out Christmas cards and will instead be making contributions to Suffolk MIND and Mid and North Essex MIND. Visit www.suffolkmind.org.uk and www.mnessexmind.org.

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Welcome to our **Winter issue**

The festive season is nearly upon us once again. 2017 has been a good year for investors in spite of the Brexit negotiations, and clients that have taken risk have been rewarded during 2017.

Clayden Financial organised seminars recently with local solicitor practices on the very complicated subject of care fees planning. Many legal firms are receiving enquiries from clients on this important subject, and the training provided by us was very well received.

Many businesses have their trading year ending on 31 December. Do remember that if this is the case for you, it is important that you make employer pension payments before this date if you wish the contribution to be used to reduce your corporation tax bill in this trading year.

The picture above shows me with my grandson Joshua at this year's highly successful Adrian Clayden Memorial Charity Golf day. Now in its seventh year, it was a fantastic occasion with 21 teams entering, and we raised over £6,600 for local charities.

From all of us at Clayden Financial, we hope you have a wonderful Christmas and a happy and healthy 2018.

Leigh Clayden

Meet Dan Parish

I joined Claydens as a Senior Administrator in the middle of September. Prior to joining, I spent over three years at Suffolk Life in the retirement team, and I am now looking forward to learning about all aspects of financial services and to develop my pension knowledge further. Before Suffolk Life, I studied at the University of Exeter where I graduated with a 2:1 in Economics.

Whilst at university, I was given the opportunity to study in China for five weeks where I learned the language and taught economics, as well as being able to visit all the tourist sites such as the Great Wall.

I live in a village just outside Bury St Edmunds. My main interest is sport – I enjoy football and play every week for my local team. I have recently got into running, having completed the Woodbridge 10k and Twilight 10k. I also enjoy obstacle course events having completed the Battle of the Knights, and I will complete the Ipswich Santa run later on this year. I am seen here as best man at a friend's wedding.

Slip into Slippers October 2017

Clayden Financial's staff and advisers wore slippers to work and sold cakes, savoury snacks and home-made jam to clients and one another! £91 was raised.

Age UK Suffolk is an incredibly worthwhile charity working with and for the benefit of older people throughout the county; informing, advising and supporting to improve people's quality of life, enabling them to live independently at home. The Age UK day service provides a variety of activities, a freshly cooked meal, and a chance to make new friends.

Visit www.ageuk.org.uk/suffolk

MORE TORTOISE NEWS!

In our Autumn newsletter, our own version of page 3 with the tortoise articles caused quite a stir! In fact, we had more feedback about our tortoise page than about any other subject previously.

Here is a piece received from Clayden's client Fiona Cunningham who had a tortoise encounter when on holiday in the Epirus region of NW mainland Greece. Thank you Fiona!

While walking in the Acheron Gorge, we came upon a tortoise which seemed to be trying to scale the fairly steep bank on the non-gorge side, and was struggling. The soil was very friable, and there were a lot of dry leaves, so his back legs just kept paddling in situ! Anyway, I wanted to feed him and had spotted some campanula flowers further back on the track. I didn't know if they would be to his taste, but I headed back and picked some.

I put a flower right in front of his nose (whilst supporting his shell at the rear end as he seemed to be sliding down the slope), and of course his head shot straight into his shell. I expected him to stay in there for hours, but he popped right out a few seconds later and started to demolish the flower. In the end, he was eating them enthusiastically right out of my hand. I could feel his beaky nose and teeth and saw his pale orangey fat little tongue! He even let me stroke his head!

'The Tortoise Whisperer'!

HM LAND REGISTRY'S FREE PROPERTY ALERT SERVICE

Those of you with leased or empty properties may not be aware that there is a service designed by the Land Registry which arranges for you to be emailed should something arise relating to your property. You can also monitor the property of a relative; you don't have to own a property to set up an alert. Signing up to HM Land Registry's free Property Alert service may help protect your property – or that belonging to a relative – from fraud.

Do visit the link below to the relevant page on the www.gov.uk website. https://www.gov.uk/guidance/property-alert

Note from Shirley Hines

For various reasons, I have decided to revert back to my maiden name. So if you receive emails or correspondence from Shirley LeGrice, it is not a new member of staff, just me using my 'new' name.

Our family name has been traced back to 1066 when our ancestor Erard LeGris (the name was anglicised in the 1700s) came over with the Normans and was given lands in Norfolk. Sadly, no lands or great riches remain in this branch of the family; however, we do have the legacy of an interesting surname.

TURBOCHARGE YOUR PENSION

Will you be able to afford the retirement lifestyle you want?

If you're still working, what kind of life would you like to lead when you've said goodbye to the 9-to-5? Saving for your retirement is essential if you want the financial freedom to enjoy your later years. After all, you'll still want to do all the things you love now – and probably a few others too.

With that in mind, it's a good idea to consider how big an income you'll actually need. But at the heart of today's challenge is rising longevity. UK life expectancy continues to rise, and a longer retirement means your savings will have to stretch further.

Pensions and Individual Savings Accounts are popular ways of saving tax-efficiently, but they are very different from each other – particularly in how they are taxed.

PENSIONS – CRUCIAL, BUT CURTAILED

Pensions should play an important part in everyone's long-term financial planning, so ensure that you make the most of any employer's contributions. Your own contributions are typically also tax-free on the way in, making them a very tax-efficient way to save.

However, when planning long-term savings, savers with big aspirations for their retirement need to bear in mind the lifetime allowance and annual allowance.

Lifetime allowance – if your pension pot is valued above £1 million, you usually have to pay tax when you take money above this threshold from your pot. The tax rate on savings above your lifetime allowance will be either 55% if you take it as a lump sum, or 25% otherwise.

Annual allowance – if you contribute more than a given amount to your pension pot in any year, you usually have to pay tax on the extra amount. This cap is currently £40,000 a year for most people, but is lower for higher earners. The annual allowance is reduced by £1 for every £2 earned above £150,000. For anyone earning £210,000 or more, the allowance is £10,000 a year.

These allowances may sound higher than they are, considering that both include an employer's contribution. Remember that it is the value of your pension pot – not the amount of contributions – that counts towards your lifetime allowance, and so investment growth over time could push you over this threshold.

Also bear in mind that all of your pension income (which includes your State Pension) is normally taxed like other income. This means that, even in retirement, annual earnings above £45,000 are subject to the higher rate of tax – currently 40%.

“IF YOUR EMPLOYER CONTRIBUTES TO YOUR PENSION PLAN, THEY MIGHT PAY IN A BIT MORE IF YOU DO TOO. SOME EMPLOYERS INCREASE THE AMOUNT THEY CONTRIBUTE WHEN YOU INCREASE YOUR CONTRIBUTIONS (WHICH MAY ONLY BE UP TO A CERTAIN LIMIT).”

WAYS TO BOOST YOUR PENSION IN THE RUN-UP TO RETIREMENT

Even if retirement isn't far away, there are steps you can take to increase your retirement income.

1. Maximise any contributions from your employer

If your employer contributes to your pension plan, they might pay in a bit more if you do too. Some employers increase the amount they contribute when you increase your contributions (which may only be up to a certain limit).

If you put an extra percent or two of your salary into your pension plan, they might pay in more as well, and in the long run you could end up better off. Ask your employer for details of whether they contribute to your pension plan, and by how much.

2. Increase your regular payments whenever you can

Another way of boosting your pension pot is to increase your monthly payments whenever you get the chance. For example, if you receive a pay rise, why not arrange to pay some of it into your pension plan? You can also take this approach any time a regular expenditure comes to an end. If you pay off a loan, for instance, you could pay the extra money into your pension plan.

Small, regular increases like this can make a big difference to what you eventually receive when you retire. Over the long term, your pension plan will have a better opportunity to grow.

3. Pay in a lump sum

In addition to making regular payments, you could also pay lump sums into your pension plan. With any payments you make into your plan, the Government will top it up with tax relief, up to a certain limit.

If you received a bonus from work and paid £10,000 of it into your pension plan, the Government would add £2,500 in tax relief. The tax treatment of pensions depends on individual circumstances and may be subject to change.

4. Review your investment choices

Where your pension plan is invested can have a considerable effect on what you'll eventually receive when you retire. You should regularly review how it's invested. As you get older, it may be appropriate to consider changing your investment strategy to reduce investment risk as retirement draws closer.

Looking beyond pensions

Given the limits we've mentioned on how much you can put in and take out of your pension without paying potentially significant amounts of tax, it might be worth considering how to complement it with other savings and investments.

An important tool is the Individual Savings Account (or 'ISA') which can be used to hold any combination of cash savings and investments in stocks and shares, as well as peer-to-peer loans. In the current 2017/18 tax year, up to £20,000 can be contributed towards your ISA.

Unlike a pension, while you will have paid tax on money that you save or invest into an ISA, any income that you receive and any capital gains from a rise in the value of your investments will be free from personal taxation, irrespective of any other earnings you have.

Your ISA should become part of your investment strategy, but it's important to remember that tax rules may change in the future, and the tax advantages of investing through an ISA will also depend on your personal circumstances.

Recent changes to pension rules mean you can access up to 25% of your pension pots as a tax-free lump sum from the age of 55.

While you can choose how to spend your Pension Commencement Lump Sum – better known as 'tax-free cash' – you should remember that any spending now is likely to reduce your potential income in retirement.

Depending on your circumstances, it may be prudent to consider using this lump sum to pay off any debts or perhaps reinvest it for your future. If you choose to save or invest through an ISA, remember that any gains or income will themselves be tax-free – unlike in a pension.

In the current economic and political climate, looking beyond pensions to put your money to work could give you more choices in retirement. The right solution will be unique to your goals and needs, but there are a number of investment strategies that could help grow your money in time for life after work.

PUTTING MONEY IN

ISA

- 0% relief on contributions
- Annual ISA allowance for 2017/18 is £20,000
- You can invest in any combination of cash or stocks and shares

Pension

- 20% basic-rate tax relief is added to the contribution
- Higher or additional-rate tax relief can be reclaimed from HM Revenue & Customs
- Savers can obtain tax relief on up to 100% of UK earnings every year. This is subject to an annual allowance (£40,000 in 2017/18). Savers may 'carry forward' unused allowance from the three previous tax years
- Those with no earnings get tax relief on the first £2,880 of contributions they make each year.

TAKING MONEY OUT

ISA

- 100% is available tax-efficiently

Pension

- 25% is available free
- The rest is taxed at your marginal rate, so you may pay 20%, 40% or 45% tax on your pension (or a combination)

TALK TO US SOONER RATHER THAN LATER

Whether your retirement is still some time away or it is fast approaching, it's important to get a clear view of how close you are to achieving your aims. If you don't think you'll have enough money when you retire, there are a number of approaches you could take to build a bigger pot, but you'll need to talk to us sooner rather than later. Please contact us – we look forward to hearing from you.

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.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. 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.

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.

GROWING CARE COSTS

Ageing population faces significant funding crisis

As part of Budget 2017, Chancellor Philip Hammond announced an extra £2 billion of funding for social care and paved the way for major changes to how people pay for it. But people in the UK are still underestimating the cost of elderly care by £7 billion every year[1], according to new research from Scottish Widows' independent think tank, the Centre for the Modern Family.

On average, UK adults estimate that residential care would cost £549 a week – when, in reality, it costs on average £866 for a place in a nursing home – leaving a shortfall of £317 every week[2].

FEELING STRESSED

More worryingly, the deficit could be significantly higher in reality, since one in four (25%) people admit they have no idea how they would cover these costs for themselves or a relative. Only 15% of people are saving money on a monthly basis to pay for their own care when the time comes, and almost half (49%) say they avoid thinking about the issue because it makes them feel stressed. With an ageing population and growing care costs, the nation could be facing a care funding crisis.

Instead, half (49%) of UK adults say they will have to rely on a relative to help them cover the costs. This could leave families in a difficult financial situation, particularly as more than four in ten (42%) people have £2,000 or less in life savings to fall back on, meaning they could only cover the cost of care for a maximum of two-and-a-half weeks.

SHARED RESPONSIBILITIES

Half (50%) of UK adults believe the responsibility of helping parents to pay for care should be shared between siblings. However, almost half (48%) of those over the age of 55 still haven't discussed who will take on this responsibility in their family. With more than nine out of ten (92%) people not saving anything to help their parents or other older relatives, this could lead to a significant shortfall in support, particularly as people estimate they could only afford to spend £69 a week on care for their parents.

A lack of understanding of the benefits system could also be problematic for many. Almost one in four people (24%) claim they would need, or expect, to rely entirely on state support, but two in five (42%) admit they don't actually understand what benefits – both practical and financial – they would be entitled to.

FAMILY SACRIFICES

An over-reliance on relatives to provide financial support already has a significant impact on families. Almost one quarter (23%) of those caring for a family member say it has put a strain on their finances. One in ten (12%) have been forced to make sacrifices to cover the cost of care for themselves or a relative, with a quarter (24%) of those people making major adjustments such as remortgaging their house. A similar proportion (22%) has been forced to make a moderate sacrifice, such as taking on a second job to cover the costs.

Supporting relatives practically and financially also puts emotional strain on families. Of those providing care, four in five (80%) say it has had an effect on them, with more than a quarter (27%) admitting it has put a strain on their close relationships. Although women are more likely to say they have less time to themselves (48%) than men (34%) when caring for a relative, more men (30%) than women (23%) are likely to feel that their family relationships have been impacted.

OVER-RELIANCE

The number of people in care in the UK is set to almost double by 2035. The research shows that an over-reliance on relatives and the state could put families in serious financial difficulty. It can seem difficult to know how to prepare for the future, but to avoid a financial care crisis, we all need to have an honest discussion on later life care as early as possible, so no one is left footing a bill they can't afford.

As for state provision, it's clear that many people simply don't understand the social care benefits and support system. Providing clarity and raising awareness of what is and isn't available is critical to helping people prepare for the longer-term future.

Source data:

Report based on both quantitative and qualitative inputs, including a nationally representative Opinium survey of 2,000+ UK adults (aged 18 and over). Research carried out between 14 and 20 April 2017 and between 15 and 18 July 2017.

[1] Figure calculated based on underestimated price of residential nursing care per week (£317, i.e. £866 minus £549) multiplied by current number of UK over-65s in care (421,100 according to the latest Laing & Buisson and detailed in Age UK's 'Later Life in the UK, August 2017' report) including with nursing and multiplied by 52

[2] According to regional cost figures from Laing & Buisson Care of Older People, including England, Wales, Northern Ireland and Scotland

'EMPTY NESTERS' PLAN TO DOWNSIZE

Convenience rather than cash is the biggest motivation

There are plenty of reasons why moving into a smaller home makes sense, and more than 3.9 million over-55 'empty-nesters' approaching retirement are planning to downsize to a cheaper property later in life[1] – but it is convenience rather than the cash that is their biggest motivation.

The nationwide study found nearly half (47%) of over-55 homeowners are planning to sell and move to cheaper homes in later life. On average, they expect to raise around £112,000 in equity by downsizing with around one in ten (11%) expecting to make more than £200,000. In fact, more than one in seven (13%) said they could not afford to retire unless they downsized.

NOT ALL ABOUT THE MONEY

However, it is not all about the money – the main reason for downsizing is the convenience of running a smaller home in retirement. Nearly three quarters (74%) rated convenience as their main reason for downsizing compared with just 28% who said they were doing so mainly to release cash for retirement. Meanwhile, just over one in three (34%) said having a smaller garden was a major motivation.

However, worries about a shortage of homes suitable for retirement, fees and high property prices are the major reasons deterring some older homeowners from downsizing, the study found.

LACK OF SUITABLE AVAILABLE HOUSING

A lack of suitable available housing is the main reason over-55s believe downsizing is not more popular – nearly four in ten (38%) blame the lack of suitable houses, while 24% blamed the cost of moving in terms of stamp duty, solicitors and estate agents, and 17% say high house prices put people off.

Of those who expect to raise money from downsizing, 60% will use it to boost their retirement funds and improve their standard of living. Nearly half (47%) will use the cash for travelling more, while 13% want to release equity to help their children buy a house, and 14% will simply give the cash to their children.

Source data:

Research conducted by Consumer Intelligence on behalf of Prudential between 22 to 23 August 2017 among 1,092 homeowners aged 50+

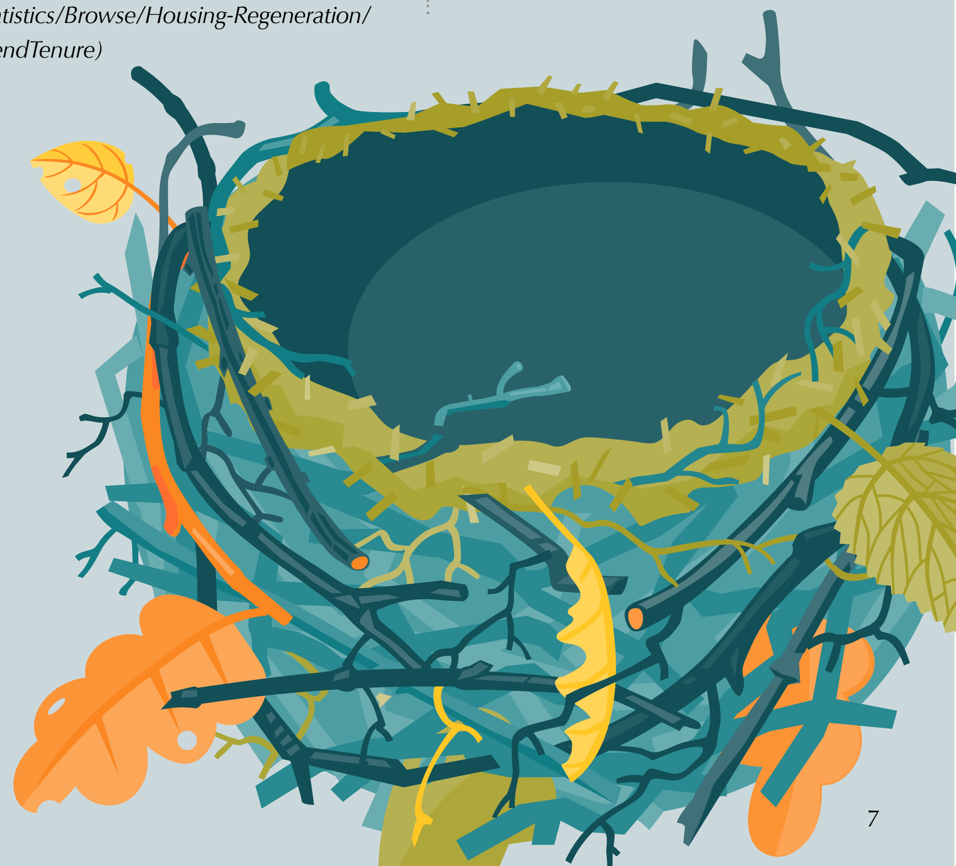
[1] Estimate based on English Housing Survey showing 7.725 million homeowners aged 55+ in England and Wales (www.gov.uk/government/statistics/english-housing-survey-

2015-to-2016-headline-report), National Records of Scotland figures showing 1.04 million households with 55+ heads of households (www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/housholds/household-projections/archive/1998-based-household-projections/tables#table4), and home ownership rate of 58% in Scotland (www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/TrendTenure)

> "THE NATIONWIDE STUDY FOUND NEARLY HALF (47%) OF OVER-55 HOMEOWNERS ARE PLANNING TO SELL AND MOVE TO CHEAPER HOMES IN LATER LIFE."

CONSIDERING MAKING MAJOR FINANCIAL DECISIONS?

The results highlight the fact that many people are worried that the costs involved in moving house may eat into the equity they'll be able to take from their home. If you are considering making major financial decisions in the run-up to retirement, such as selling your home, you should obtain professional financial advice for guidance on your pension options. Please talk to us.



ARE YOU PREPARED FOR WINTER?

ryan's
YOU CAN BE SURE IT'S RIGHT

Before winter sets in, it is worth making sure you that you are prepared for any bad weather over the coming months.

Severe weather can impact both homes and businesses, and with darker evenings, driving can also be hazardous as vision is reduced, making it harder to see road signs and other road users.

Going into the winter months, it doesn't hurt to make preparations to protect against severe weather, like floods or icy conditions. Here are some top tips to help you plan ahead and prepare for when the weather starts to turn.

MOTOR INSURANCE

With 'frosting thefts' a continual threat, the British Insurance Broker Association (BIBA) urges motorists to take care to check their cover. Those who leave their cars with the engine warming up to defrost the windscreen may not be covered if an opportunistic thief steals the car.

Most motor insurance policies have a specific 'keys in car' or 'vehicle left unattended' clause and exclude claims in these circumstances

In addition, there will be a 'reasonable care' clause, whereby the insurer may reject a claim on the grounds of the policyholder being 'reckless' in not safeguarding the vehicle.

In extreme weather conditions, drivers are urged to avoid travelling by road wherever possible. However, to take appropriate steps if driving is the only option: wrap up warmly; take a blanket, spade, torch, food and drink, and a mobile phone; and tell someone what time you expect to complete your journey. Also, check your tyre tread depths to ensure the best grip possible in difficult conditions. Where possible, leave the car in a garage overnight.

HOME INSURANCE

Ensure vulnerable pipe work is lagged or isolated, as there are thousands of burst pipe claims every winter that cause misery to homeowners when water escapes into their properties. These losses are easily preventable. General maintenance of properties should be kept up to date to ensure claims are minimised – flat roofs, guttering and drains requiring particular attention.

As temperatures drop and the colder months approach, it is important to keep chimneys in check to prevent a house fire. Wood burning or multi-fuel stoves, which reach high temperatures, can also increase the risk of fire with thatched properties, as they send more live sparks and embers out of the chimney.

You should also avoid burning waste paper on the fire and ensure that you only burn seasoned, correctly stored hardwood, and use the stove according to the manufacturer's instructions. Chimneys should be routinely checked or surveyed to ensure that they are structurally sound; your chimney should be swept by a professional chimney sweep at least twice a year if it is in use frequently, or all year round.

To be kept informed of potential severe weather, you can sign up to weather alerts, available from the Met Office and flood warnings from the Environment Agency.

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If you would like to talk to one of our advisers about our range of personal or business insurance solutions please call the Ryan's team on 01473 343300 or visit our website www.ryans.co.uk

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