ISSUE 22 ■ AUTUMN 2018

INFORMED

Working with professional partners

by Clayden
FINANCIAL
INDEPENDENT FINANCIAL ADVISERS

FINANCIAL PROTECTION

Families left in a precarious situation if the unforeseen were to happen

CASH MAY NOT BE **KING**

Pension savers risk a significant tax bill

FOCUS ON FUNDS

Newton Global Income

Clayden Financial, 1 Constable Court, The Street, Belstead, Ipswich IP8 3LY
Tel: (01473) 730090 **Fax:** (01473) 730092 **Email:** advice@claydens.com

www.claydens.com

In this issue...

Clayden FINANCIAL
INDEPENDENT FINANCIAL ADVISERS

1 Constable Court, The Street,
Belstead, Ipswich IP8 3LY

Tel: (01473) 730090
Fax: (01473) 730092
Web: www.claydens.com
Email: advice@claydens.com

WELCOME TO OUR **AUTUMN ISSUE**

What an amazing summer we have all enjoyed – almost too much of a good thing! In Belstead, the fields around us were positively scorched.

Clayden Financial has championed Suffolk Age UK for many years and has just become a Platinum Friend of the charity. Suffolk Age UK has supported older people in our region for 70 years, offering general advice and relevant services such as advocacy, befriending, dementia advice, home help/companionship, house clearance and transport information. Do take a look at their website: https://www.ageuk.org.uk/suffolk.

Recently, we strengthened our administrative base. I would like to extend a warm welcome to Felicity Roworth, who joined us last month and is already a valuable member of the team (please see the article below).

You may remember that, in our Summer issue, we told you about Martin Cornell's daughter raising funds for the St Elizabeth's Hospice. I am delighted to report that Olivia raised £775 for the charity. Thank you to all those who helped achieve this great result. Olivia also donated to the Little Princess Trust and gave ten inches of her hair. Jolly well done Olivia.

Do continue to give us feedback about Informed and your ideas for content – your views are very much appreciated. Thank you.

Leigh Clayden

Olivia Cornell handing her cheque to St Elizabeth's Hospice.

Introducing Felicity Roworth

Felicity has been working in financial services for the past thirty years, starting her administrative career at Legal & General and then working for many years at an Essex-based firm of financial advisers. Outside of work, Felicity's main interests are horse riding, walking in the lovely Suffolk countryside and photography. Describing herself as an enthusiastic beginner, she is a member of the Ipswich District Photographic Society and has lived in Ipswich for over thirty years.

CLAYDEN FINANCIAL:

FOCUS ON FUNDS

NEWTON GLOBAL INCOME

All of our Wealth Management clients with the exception of those invested in our cautious portfolio will hold this fund within their investment portfolio at Clayden Financial. It is a fund with a long track record that invests exclusively in global businesses regardless of where they are listed; the only requirement being to yield an income above the fund's benchmark.

As a fund manager, Newton is often labelled as a more defensive, even contrarian, investor looking for companies that have what you might call an 'economic moat' around them. Whilst this may sound very dull, it does mean that their analysis of companies is designed to find those businesses with repeatable earnings and trading patterns that will hold up if economic conditions are less favourable. This is a fund we have supported for a long time as it 'does what it says on the tin'.

STRONG SHAREHOLDER RETURNS

You may be surprised to realise that this includes mature technology companies like Microsoft as an example of where this fund is looking to invest. Originally, this was purchased in 2013 when the wider market felt that the growth of Apple and iOS in the personal computing space would soon be replicated in the business market too – endangering the very existence of Microsoft.

The Newton analysts carried out their diligence and concluded that, with 25% of the entire company value (called market cap) in cash on the balance sheet and a free cash-flow yield (this is where the dividends usually come from) of 13%, the value of the company would effectively be earned in just seven years, even if their business struggled.

Part of the analysis also involved checking whether businesses using Microsoft were looking to move to other service providers. When the new CEO took over at the company in 2014 it was clear that much of the Microsoft business would be retained and would continue to produce strong shareholder returns in the form of dividends and share buybacks to increase value. Newton then raised their portfolio holding to 5% in the company to make it their largest single investment at the time.

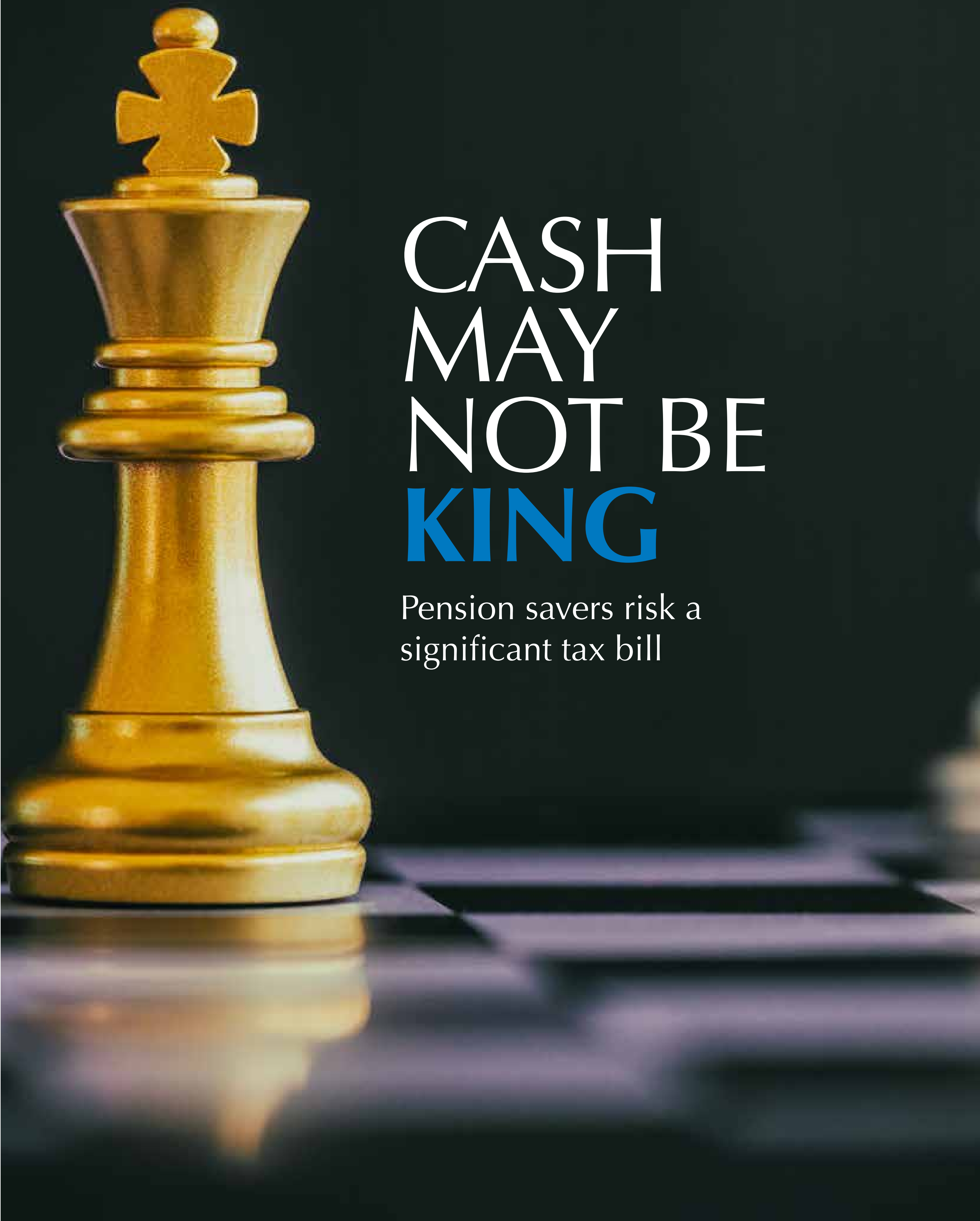
STEADY EXPOSURE

During the period of ownership, the total return (with reinvested dividends) was over 300% from 2013 to 2018, as the market realised they had treated the shares harshly over future prospects for the business. The discipline of the Newton fund management style then saw them sell into this market strength: the fund manager has to sell when the income yield of shares is less than their benchmark requirement.

This neatly demonstrates the Newton approach to managing the fund, often buying companies out of favour with the wider market, and then selling when a target is reached. By not falling in love with companies, the Newton team tries to protect investors from emotional decisions on investing.

Given the disciplined nature of the fund, it remains a core part of our portfolios as it provides steady exposure to global companies and income in the form of dividends. We like this type of fund: it looks to limit the negative surprises that investors most dislike whilst taking part in growth stories it can trust.

> "AS A FUND MANAGER, NEWTON IS OFTEN LABELLED AS A MORE DEFENSIVE, EVEN CONTRARIAN INVESTOR."



CASH MAY NOT BE KING

Pension savers risk a significant tax bill

For most people over the age of 55, it is now possible to cash in or unlock all of their pension. How these benefits are taken depends on the type of scheme held. But concerns have been raised that some savers may risk running out of cash if they siphon too much out of their pension pots.

There are a number of downsides to taking too much cash from your pension, especially if you are doing it earlier than expected. However, around one in ten (10%) of people planning to retire this year expect to withdraw their entire pension savings as one lump sum, risking a significant tax bill and an impact on their future retirement income.

The findings[1] are part of unique annual research – now in its 11th year – into the financial plans and aspirations of people planning to retire in the year ahead show that, in total, one in five (20%) of those retiring this year will risk avoidable tax bills by taking out more than the tax-free 25% limit on withdrawals.

TWO THIRDS PLANNING ON RETIRING EARLY

However, they are not necessarily spending all the cash – the main reason given by those taking all their fund in one go was to invest in other areas such as property, a savings account or an investment fund (71%). Interestingly, around two thirds (66%) of people are planning on retiring early.

Since the launch of pension freedom reforms in April 2015, more than 1.1 million people aged 55-plus have withdrawn around £15,744 billion[2] in flexible payments.

TAKING ADVANTAGE OF PENSION FREEDOMS

Government estimates[3] show that around £2.6 billion was paid in tax by people taking advantage of pension freedoms in the 2015/16 and 2016/17 tax years, with another £1.1 billion raised in the 2017/18 tax year.

The most popular use of the cash is for holidays, with 34% planning to spend the money on trips. Around (25%) will spend the money on home improvements, while one in five (20%) will gift the money to their children or grandchildren. Other popular uses include buying cars or paying off mortgages.

WHAT YOU NEED TO ASK YOURSELF BEFORE CASHING IN YOUR PENSION POT

Q: Have you considered what the tax implications are?
At the heart of any pension transaction you undertake, tax planning is a major consideration. Only the first 25% of the amount that you drawdown from your pension pot is tax-free, and the remaining 75% is taxed as earned income.

Q: Will your money last the duration of your retirement years?
Before taking the cash, it is crucial to think about whether you will have enough money to last the duration of your retirement. You should regularly review your choices throughout your retirement, as your needs evolve and income needs may change.

Q: Will your pension scheme allow you to cash in your pension pot?
If you're convinced that cashing in your pension pot is the right move for you, you need to ensure that your pension scheme allows you to do so. If not, it means that you'll need to transfer your savings into a suitable pension scheme to be able to access your cash.

Q: Are you aware of the companies running pension scams?
Pension savers getting scammed out of their retirement savings is a real issue. The problem is that many of these scams look perfectly legitimate so are not easy to spot. Others offer investment returns which are too good to be true. You can visit the FCA's ScamSmart website, which includes a warning list of companies operating without authorisation or running scams – www.fca.org.uk/scamsmart.

Q: Have you sought professional financial advice about your plans?
Not seeking professional financial advice can be very risky, especially when it comes to deciding how to eventually take your pension. If you get it wrong, it could be very costly and have a considerable impact on your retirement lifestyle and standard of living. We'll make sure that the action you take is the right one for you, your family and your needs.

DON'T GET PENALISED BY THE TAX SYSTEM

Pensions freedom allows you to have the flexibility on how and when you spend your money without being penalised by the tax system, but it is worrying that some retirees may withdraw more than the tax-free lump sum limit. The risk is even greater if you're taking all of your pension fund in cash. To review your own situation, please speak to us. You can call us to arrange an appointment or ask a question – we look forward to hearing from you.

Source data:
[1] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.
[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/675350/Pensions_Flexibility_Jan_2018.pdf
[3] http://obr.uk/overview-of-the-november-2017-economic-and-fiscal-outlook/

FINANCIAL PROTECTION

Families left in a precarious situation if the unforeseen were to happen

We all intend that our plans will come good. But making sure that you and your family can cope if you fall ill or die prematurely is something we can too easily put to one side. In particular, a recent study identified that financial protection is something that millions of parents in the UK, and their families, could benefit from.

More than half (58%) of men in the UK with dependent children have no life insurance, meaning that just over 4.5 million dads[1] are leaving their families in a precarious situation if the unforeseen were to happen. Worryingly, this has increased by five percentage points compared with 2017, a year-on-year increase of around 542,000 individuals[2].

FINANCIAL HARDSHIP

Despite a fifth (20%) of dads admitting their household wouldn't survive financially if they lost their income due to long-term illness, only 18% have a critical illness policy, leaving many more millions at risk of financial hardship if they were to become seriously ill.

Critical illness insurance – pays out on diagnosis of specific medical conditions or illnesses – but it doesn't usually pay out if you die, so it's not always suitable if you want to make sure your family are provided for after you've gone. This is where life insurance comes in.

Life insurance – this insurance usually only pays out if you die. It's designed to help your family maintain their lifestyle after you've gone, for example, to pay off a mortgage or other loans and provide for children's university fees.

Many insurers will offer both types of cover combined.

NO SAVINGS

If they were unable to work due to serious illness, 16% of fathers say they could only pay their household bills for a minimum of three months. More than two fifths (45%) say they'd have to dip into their savings to manage financially, but 17% admit that their savings would last for a maximum of just three months, and 12% say they have no savings at all.

On top of this, many fathers are leaving themselves and their families unprepared for other aspects of illness or bereavement. 16% of them aren't sure who would take care of them if they fell ill, and more than two fifths (42%) don't have the protection of a Will, power of attorney, guardianship or trust arrangement in place for their families.

RISKY POSITION

This is an especially risky position for the two thirds (66%) of UK fathers who are the main breadwinner in the family, and it's clear that many are lacking a 'Plan B'.

Many fathers don't consider having insurance a necessity, with 16% of those without saying they don't see critical illness cover as a financial priority, and 20% saying they don't think they need it. The value of protection, however, is to provide long-term peace of mind about having financial security in place for your dependents.

SEEK ADVICE

Life is full of uncertainties – and whilst we insure cars, houses and even holiday arrangements, when it comes to ourselves and our family, often insurance is overlooked and undervalued. The simple truth is we may get too ill to carry on working or tragically die too soon, either through serious illness or accident. These events are random, and they can potentially affect us all.

A mother's income can also play an important part in family finances, and the cost of replacing a stay-at-home mother's role should be considered in financial planning for the family.

Recent changes to bereavement benefits, and their continued unavailability to those in cohabiting relationships, mean that it's more important than ever for fathers to review their financial protection needs and seek advice to make sure their household is covered.

UNFORESEEN CIRCUMSTANCE

The impact of losing the family breadwinner can be devastating – missed mortgage repayments, savings depleted, the family home being sold, the family's standard of living eroded, with stress and worry all too evident.

Whether it is your family or other loved ones, it's essential to make sure that the people and things that matter to you are taken care of – whatever life throws at you.

CREATING A DURABLE PLAN FOR THE FUTURE

We understand that expert advice on financial matters is invaluable in creating a durable plan for the future. To discuss what's best for you and your family if the unforeseen were to happen, contact us so we can find the solution that's right for you.

Source data:

All figures, unless otherwise stated, are from Opinium Research. The survey was conducted online between 5 and 12 April 2018, with a sample of 5,022 nationally representative UK adults.

[1] Percentage of adult population that are fathers with dependents = 762/5022 = 15.17%; 15.17% of adult population of 51,767,000 = 7,854,730 million; 58% of these don't have cover so 4,545,848 million

[2] Percentage of adult population that are fathers with dependents = 735/5077 = 14.48%; 14.48% of adult population of 51,767,000 = 7,495,861 million; 53% of these don't have cover so 4,003,721. Difference of 542,127 compared with 2017

PROTECTION PLANS USUALLY HAVE NO CASH IN VALUE AT ANY TIME AND WILL CEASE AT THE END OF THE TERM. IF PREMIUMS ARE NOT MAINTAINED, THEN COVER WILL LAPSE.

CRITICAL ILLNESS PLANS MAY NOT COVER ALL THE DEFINITIONS OF A CRITICAL ILLNESS. THE DEFINITIONS VARY BETWEEN PROVIDERS AND WILL BE DESCRIBED IN THE KEY FEATURES AND POLICY DOCUMENTS IF YOU PROCEED WITH A PLAN.

CASH STASH

Study exposes a whole host of financial secrets

It's bad news for romantics, according to the latest annual research[1] into the retirement aspirations and financial planning of UK couples aged 40 and over. This identifies that nearly one in three couples (31%) have secret savings or investments that they have deliberately started without telling their partner or spouse. And it's not just a few pounds, as 7% admit to hiding savings of over £50,000.

Individuals who have not formally tied the knot and are simply living together are much more likely to keep part of their financial life hidden from the other person in the relationship. But the study exposed a whole host of financial secrets – couples do not keep just their savings secret, as more than a fifth (21%) say their partner doesn't even know how much they earn, while 19% hide debts.

SECRET FINANCES

Do you spend in secret, or stash cash your spouse doesn't know about? Lack of trust seems to be a driving force behind many secret finances. A third (34%) admit they have no specific plans for their secret income but just don't want their partner to be able to access all their money. Nearly a quarter (22%) do not trust their partner to make the right decision about their finances so want to keep control.

More than two fifths (44%) of those keeping income secrets say their basic salary is higher than their partner thinks it is, while a quarter (25%) have income from an investment that their partner is not aware of.

MAIN MOTIVATIONS

Men are more likely to squirrel away their savings – with a third (33%) keeping a secret stash compared to 28 per cent of women. While men and women are relatively similar in what they want to spend the money on, more than double the number of women have secret savings as security in case of a break up (15% compared to 6% of men).

Retirement is one of the main motivations for secret savings. Around a third (33%) of all couples say they want their cash for retirement. However, 13% simply want to keep their savings hidden so they can buy what they want with the money.

> "MORE THAN TWO FIFTHS (44%) OF THOSE KEEPING INCOME SECRETS SAY THEIR BASIC SALARY IS HIGHER THAN THEIR PARTNER THINKS IT IS."

HONEST CONVERSATIONS

It isn't just extra income and savings that some people keep hidden, as a fifth (19%) are keeping debts secret from their partner. For the majority, these debts arose from general living costs (62%), but for others the debt was caused by overspending due to previous relationships, with 22% getting into the red after a break up while 10% inherited the debt from a past relationship.

Saving money is always a good idea, but doing it so that you are protected in the event of a relationship breaking down means missing out on potential tax benefits. At any stage of a relationship, it is important to have open and honest conversations about finances. However, it becomes especially relevant when approaching retirement, as decisions made then will impact the rest of your life.

Source data:

[1] Consumer Intelligence conducted an independent online survey for Prudential between 29 January and 7 February 2018 among 1,000 non-retired UK adults aged 40+ who currently live with their spouse or partner.

OBTAINING PROFESSIONAL FINANCIAL ADVICE

Couples approaching retirement should consider obtaining professional financial advice about their income and working out a plan for funding their lifestyle. If you would like to discuss your situation, or to arrange a meeting, please contact us.

WHY BUY PERSONAL INSURANCE FROM RYAN'S?

ryan's
YOU CAN BE SURE IT'S RIGHT

When it comes to arranging personal insurance, does it really matter which provider I choose? Surely I should just find the cheapest possible deal?

If you haven't said this before, then you probably know somebody who has.

Questions you should consider when arranging your insurance are; do you know how quickly your insurance company will respond to your claim? Are you sure you are even covered? What are your policy limits? How much can you claim for? Who do you turn to for help and advice?

Ryan's are independent insurance brokers who understand that no two customers are the same; our approach to protecting your home, car and possessions recognises your individuality.

Our aim is not only to understand your requirements and to provide you with the cover and added benefits that offer value for money, but also give you the peace of mind in knowing that you are properly protected should the worst happen and you need to make a claim.

We're here when you need us most. Your own Personal Account Manager will answer your questions, keep you informed and, most importantly, assist you with any claims to ensure they are dealt with effectively and settled promptly. You can even pop into our office to meet your Personal Account Manager.

Our dedication to customer care is demonstrated by our 100% service rating from Feefo, the independent and trusted ratings and review platform.

We are also proud to support the New Wolsey Theatre, Ipswich as a Culture Club member, which in turn rewards our staff and customers with discounted theatre tickets.

This year, we are being considered for a Gold or Platinum award in the Best Employers Eastern Region 2018 for our commitment to our employees.

So, next time your insurance is due for renewal, give Ryan's a call. We offer competitive quotes with a friendly personal service.

"RYAN'S ARE INDEPENDENT INSURANCE BROKERS WHO UNDERSTAND THAT NO TWO CUSTOMERS ARE THE SAME; OUR APPROACH TO PROTECTING YOUR HOME, CAR AND POSSESSIONS RECOGNISES YOUR INDIVIDUALITY."

2018 Gold Trusted Service ★★★★★ feefo

Best Companies to work for in Insurance Broking 2017

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

Ryan's is a trading name of Ryan Insurance Group Limited which is authorised and regulated by the Financial Conduct Authority

Clayden Financial Independent Financial Advisers
1 Constable Court, The Street, Belstead, Ipswich IP8 3LY
Tel: (01473) 730090 **Fax:** (01473) 730092
Web: www.claydens.com **Email:** advice@claydens.com

Clayden FINANCIAL
INDEPENDENT FINANCIAL ADVISERS