ISSUE 25 ■ SUMMER 2019

INFORMED

Working with professional partners

by Clayden FINANCIAL
INDEPENDENT FINANCIAL ADVISERS

KEEPING IT IN THE FAMILY

A growing need for a joined-up approach to financial planning

INTEREST-ONLY MORTGAGES

Getting there could be easier than you think – but you'll need to start young

CLAYDEN FINANCIAL

25 years of giving impartial financial advice

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In this issue...

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WELCOME TO OUR SUMMER ISSUE

The swallows are back at Constable Court, so it must be summer!

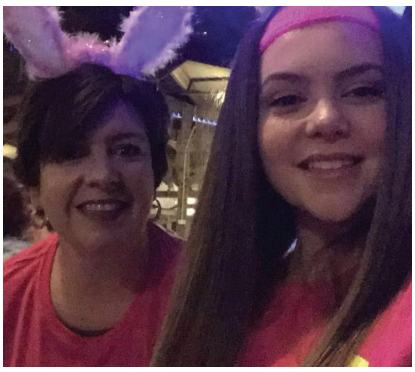
Clayden Financial continues to be very busy assisting clients with all aspects of their finances. In this issue, we have an article, 'Keeping it in the Family', which discusses what is termed 'Generational Financial Planning'. Families often struggle to communicate about money, and it can be beneficial to include family members in financial decisions – or to keep them informed of actions and the reasons for them. We are always happy to welcome clients' families to meetings.

To maintain the highest standards of service, our staff members continue to undertake professional development. Recently, Dan Parish and Lewis Offord achieved examination success. Dan passed R02 – Investment Principles and Risk and R05 Financial Protection. He now just needs to complete R06 – Financial Planning and Practice – in July to complete the Diploma in Financial Planning. Lewis passed Stage 2 of the London Institute of Banking and Finance Diploma for Financial Advisers and is now moving on to Stage 3, which is the final part. Sincere congratulations to both.

Martin Cornell's wife Kerry and daughter Olivia participated in the St Elizabeth's Hospice Midnight Walk on 11th May in memory of dad and grandad Brian, who was shown much kindness at the Hospice. They reported that the atmosphere was great, but it was a cold night so they walked the six miles briskly! They raised an impressive £380.

I hope you enjoy this issue. I will see you again in the autumn!

Leigh Clayden



Kerry and Olivia Cornell

WE HOPE YOU ENJOY THIS NEWSLETTER

Do let us know if there are subjects that you would like us to cover in future editions. Just contact me, Krystyna Smithers, by email at krystyna10@btinternet.com or call me on 01473 730090. Thank you.

AGE UK SUFFOLK **GOLF DAY** ON 25 APRIL AT UFFORD PARK

From left to right: Sukhi Johal, Peter Steward, Paul Sumner, Bill Darling of Suffolk Golf Union who presented the prizes, and Leigh Clayden.

The Golf Day was a really fun, relaxed and friendly event with a number of activities and challenges. £1,400 was raised for Age UK Suffolk, supporting the vital work the charity does to improve the lives of older people across Suffolk. The winning team was from CFB UK, second was Flynn's Fore and the Clayden's team (pictured here) came third.

Clayden Financial is proud to be a Platinum Sponsor of Suffolk Age UK and regularly participates in the charity's events.

Age UK Suffolk will be running another golf day on 24 July at Felixstowe Ferry Golf Club, and bookings can be made by calling Age UK Suffolk on 01473 298683 or visiting https://ageuksuffolk.echoleft.com/charity-events/charity-golf-days-2019

ACTION MEDICAL RESEARCH **EASTER CONCERT**

Photo shows amazing Aiden, who opened the event, receiving an Easter egg from our IFA Karen Last.

I am delighted to report that we raised over £4,000 from our recent music and chocolate evening. Thank you to all who came and/or contributed in some way, no matter how small. We had a wonderful evening, and lots of very generous people willingly gave us their time and money. The funds raised will be used for valuable medical research to help save and change children's lives!

Surprisingly, medical research to help children is poorly funded in the UK. Action Medical Research has a critical job to do in helping fill this gap. To find out, more visit https://action.org.uk.

Karen Last

A TASTE OF SOMETHING DIFFERENT… WINE **VOCABULARY!**

What do Appellation (or AOC, which stands for Appellation d'Origine Controlee) and AVA actually mean?

In wine parlance, these both roughly equate to where a wine comes from but also relate to the set of rules that apply to the wine of that area. In France, these rules can be rigorous and onerous, and the failure to comply can result in serious financial consequences. The French version was formed by the Institut National des Appellations d'Origine (the INAO) in 1935, laying down the initial set of laws relating to the wine-making process in France. However, some areas such as Champagne had their own self-enforced rules in place prior to that. Wines from France will have the statement on the label Appellation (then the area the wine comes from) Controlee clearly stated, showing it's a wine from that area. For example, the pictured wine is from Cote Rotie from the Rhone, as is clearly stated on the label.

This in theory should give some semblance of trust that the wine is of a certain quality. Things affected by the rules of the appellation (or area) range from the production volume, minimum alcohol level and how the wines are classified (premier crus, grand crus), etc.

AVA – in the USA – stands for American Viticultural Area and again relates to the specific region that grapes are grown in with the first designated area being defined in 1980. Unlike Burgundy, for example, there is no restriction on the type of grapes that can be grown in an AVA, but at least 85% must come from the area mentioned on the label.

In Italy, they have three classifications. These are DOCG (Denominazione di Origine Controllata e Garantita), which tends to be the wines at the top of the tree; DOC (the above without the e Garantita bit) where the rules, whilst still stringent, are a little more relaxed on area and grapes used; and IGT (Indicazione Geografica Tipica). This was brought in for growers who couldn't or wouldn't meet the DOC or DOCG rules. You may assume that these wines would be inferior, but that's far from the truth. Some of Italy's greatest and most expensive wines fall into this category. For example, Redigaffi from Tua Rita in Tuscany, which costs in the region of £200 a bottle, is an IGT as it uses grapes that are outside those permitted by the Tuscan DOC regulations.

In essence, all of the above refer you to a geographic area where the grapes – or the majority of them – come from and attempt to steer the consumer to a product they can identify with.

Our grateful thanks to Quilter Cheviot Investment Management for this article. Please visit here if you'd like to see more of their interesting content: https://www.quiltercheviot.com/uk/private-client/email-subscription-centre.

Wine is from Cote Rotie from the Rhone, as is clearly stated on the label

INTEREST-ONLY MORTGAGES

What's in store for 2019?

Tens of thousands of interest-only mortgages are set to mature over the coming year, meaning homeowners face repaying their full loan in one go. If you have an interest-only deal and are worried about paying it back, now is a good time to find out what your options are.

An estimated 81,400 interest-only mortgages worth a total £9.2 billion will be maturing in 2019, according to predictions modelled by Experian for the Financial Services Authority (now the Financial Conduct Authority) in 2013.

With an interest-only mortgage, you only pay the interest on the loan each month. The size of your debt stays the same over your entire mortgage term, and you have to pay back what you borrowed in one lump sum when the term ends.

This differs to a repayment mortgage, where you pay back both interest and capital each month, so by the end of the term you've repaid what you borrowed.

MATURITY HORIZONS

In its 2013 review* of the interest-only sector, the Financial Conduct Authority (FCA) identified three main time periods when the most interest-only loans would mature: 2012–20, 2027–28 and 2032.

This analysis predicts that in 2019, 81,400 interest-only deals worth £9.2 billion would be due to mature, and a further 82,100 worth £9.7 billion would mature in 2020.

To arrive at this prediction, Experian looked into the 'maturity horizons' for all residential interest-only deals, meaning the year the terms were due to expire. It then produced an algorithm that estimated when interest-only deals would expire between 2012 and 2041.

SHOULD YOU BE CONCERNED?

The first major portion of borrowers having to pay back their interest-only deals up to 2020 are likely to have modest shortfalls, according to the FCA. These customers are typically approaching retirement with higher incomes, assets and levels of forecasted equity in their property.

The next two peaks in 2027–28 and 2032 are more of a concern. These two groups include less affluent people who had to take on larger interest-only loans and have lower forecasted equity levels – so they could be at more risk of a shortfall.

If you have an interest-only mortgage, you should check when your loan is due for repayment and how much you will owe when. You should make sure your original plan on how to pay it back is on track.

For example, if you were relying on the value of your home increasing to cover the cost of the mortgage and buying a new home, this may not be a viable option if prices haven't grown quickly enough.

Moreover, if you were hoping to remortgage, you may find the options could be restricted because of your age and income. Some lenders, for example, will only consider switching, remortgaging or extending the term of your deal up to your retirement age.

If you find your plan isn't stacking up, now is the time to take action. Here are some options you could consider:

EXTEND YOUR MORTGAGE TERM

You could ask your lender whether you can extend the term of your interest-only deal. This would buy you extra time to invest money or for your property's value to grow in order to cover the shortfall if you were to sell.

SWITCH TO A REPAYMENT MORTGAGE

Your lender might let you do this – but bear in mind that your monthly payments would increase considerably in the short term. However, you may be able to reduce the payments by lengthening the term of your mortgage or opting for a part interest-only, part repayment deal.

START OVERPAYING YOUR MORTGAGE

Paying off more than the interest each month can help you to start paying down your debt. Most lenders will allow you to overpay by up to 10% of the outstanding mortgage each year, but check the terms of your agreement to make sure you can try this.

Consider a retirement interest-only deal. More and more lenders are offering retirement interest-only deals to help older borrowers move away from their existing interest-only deal. Most of these deals allow you to repay the loan when you sell the property, move into care or die, but some will have a set term. Bear in mind that while this will help you keep your home during your lifetime, you won't be able to pass it on to your children.

SELL UP AND MOVE

You could pay back your interest-only loan by selling your property. If the value has grown and you've built up some equity, you could use this to buy a new home. However, this might not be a great option if you have negative equity – where the value of your property has fallen since you took out the loan – as you'll face a shortfall when paying your lender back.

Source:
*https://www.fca.org.uk/publication/research/fca-interest-only-mortgage-review.pdf

KEEPING IT IN THE FAMILY

A growing need for a joined-up approach to financial planning

Talking about money remains a taboo in many families. Many married couples reportedly do not know what their spouse earns. Many wealthy parents are said to shy away from telling their children how well-off the family is for fear of the youngsters contracting 'rich kid-itis' – a loss of work ethic and the ability to spend money like there's no tomorrow.

Families often struggle to communicate about money, for all sorts of reasons. However, with the older generation living longer and potentially having care costs, more estates facing Inheritance Tax and a savings crisis among younger people, there's a growing need for families to discuss their longer-term financial planning and to have a more joined-up approach.

A NUMBER OF BENEFITS

There are a number of benefits for families receiving financial advice together and to different generations being present at meetings with a financial planner. Firstly, this should give the younger generation a better understanding of the financial wishes of the older generation. As a result, there should be fewer unwelcome surprises after a death which can lead to family squabbles – and, at worst, contested Wills and unnecessary legal costs.

Having that improved awareness of an older person's plans and wishes can also be helpful if a Power of Attorney needs to be used at a later date. In addition, attending a parent or grandparent's meeting with their financial planner should provide some reassurance they are being looked after, that they are not being mis-sold to and their money is not mismanaged.

At the same time, this involvement can be a way to boost the financial knowledge and responsibility of a younger generation that might not yet have much direct experience of wealth and investment.

The younger generation should also gain a better understanding of their future legacy, ensuring a smoother transition when an estate is passed on and reducing the risk of an ill-considered change for investment approach.

AN EFFECTIVE TOOL

Recent pension freedoms, under which retirees are no longer required to buy an annuity but can continue to invest their pension pot and flexibly draw down an income, are another important reason to take a more joined-up approach to financial planning.

Pensions have become a very effective Inheritance Tax planning tool. A pension pot can now be passed on tax-free if the retiree dies before 75, and at a much reduced rate of tax if they die aged 75 or older, which can be a very tax-efficient way to pass on wealth to the next generation.

In turn, this can make cashing in ISAs, downsizing or releasing equity from the family home a better option for boosting retirement income.

Understandably, the implications of the dramatic changes in pension rules may not be fully clear to many people. There may also be concerns about using the family home to boost income. To ensure the most effective plan, it makes sense to involve the different generations in the discussions.

When an older person dies, there are still too many cases where families end up with an unnecessary Inheritance Tax bill, or money goes to the wrong people because there was no Will. Family financial planning can prevent these problems arising, improving the overall financial position of the family and helping to close the savings gap for the younger generation.

TRACING A LOST PENSION

Nearly £20 billion unclaimed money and growing

FINDINGS HIGHLIGHT THE SCALE OF THE PROBLEM

The scale of the UK's lost pensions mountain has been exposed by the largest study yet on the subject[1]. The Pensions Policy Institute surveyed firms representing about 50% of the private defined contribution pensions market[2].

From this, the Pensions Policy Institute found 800,000 lost pensions worth an estimated £9.7 billion. It estimates that, if scaled up to the whole market, there are collectively around 1.6 million pots worth £19.4 billion unclaimed – the equivalent of nearly £13,000 per pot.

This figure is likely to be even higher as the research did not look into lost pensions held in the public sector, or with trust-based schemes typically run by employers. These findings highlight the scale of the lost pensions problem. Unclaimed pensions can make a real difference to millions of savers who have simply lost touch with their pension providers.

Providers make considerable efforts and spend millions every year trying to reunite people with lost or forgotten pensions. In 2017, more than 375,000 attempts were made to contact clients, leading to £1 billion in assets being reunited with them. However, firms are unable to keep pace with a mobile workforce that moves jobs and homes more often than ever before.

Prevention is better than cure, so be sure to keep all your pensions paperwork in one place. You should also tell your previous pension scheme administrator about any changes of address.

NUMBER OF PEOPLE WITH MULTIPLE PENSIONS TO INCREASE

Nearly two thirds of UK savers have more than one pension, and changing work patterns means that the number of people with multiple pensions will increase. People typically lose track of their pensions when changing jobs or moving home.

The average person will have around 11 different jobs over their lifetime, and move home eight times. The Government predicts that there could be as many as 50 million dormant and lost pensions by 2050.

TRACKING DOWN UNCLAIMED PERSONAL OR WORKPLACE PENSIONS

If you have lost track of a pension, it's important to write down the dates and contact details of the companies you had pensions with. If you have all the information, then you can contact the pension provider directly to find how much there is in your pension pot.

Alternatively, you can contact the Pension Tracing Service. They will help you find the addresses and details you need and can help you locate or trace any pensions that you may have lost or misplaced.

You can also contact them to track down unclaimed personal or workplace pensions for deceased relatives. It's possible that their estate or a surviving partner or relative could be eligible to claim a percentage. The Pension Tracing Service telephone number is: 0800 731 0193 (from outside the UK: +44 (0)191 215 4491; textphone: 0800 731 0176).

Source data:

[1] The Association of British Insurers is the voice of the UK's world-leading insurance and long-term savings industry.

[2] The Lost Pensions Survey includes data from 12 large insurers, covering around half of the defined contribution pensions market.

THE SOONER YOU TRACE A LOST PENSION, THE BETTER?

It's not always easy to keep track of a pension, especially if you've been in more than one scheme or have changed employers throughout your career. But, it's important that you do claim your pension, so the sooner you trace a lost pension, the better. If you would like to discuss any concerns you may have, please contact us.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

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.

TRAVEL INSURANCE MATTERS

ryan's
YOU CAN BE SURE IT'S RIGHT

If you're overseas and the unexpected happens, travel insurance can help to protect you against big bills, whether for your health, for replacement or repaired items, or if your travel arrangements are delayed or cancelled.

According to Association of British Travel Agents (ABTA) research, as many as 28% – that's 9.9 million – of Brits who travelled abroad last year did so without the right travel insurance, took part in activities that aren't covered by insurance policies or didn't have travel insurance at all.

This is a risky business, and the same research found that the average cost of a travel insurance claim is £1,296. What's more, the cost of medical treatment or repatriation can run into thousands of pounds. Treatment for a stomach bug in a US hospital could set you back £100,000.

Wherever you journey to, travel insurance isn't a legal requirement and, as a nation, we may have been less focused on travel insurance as a necessity when travelling in Europe. With the potential of Brexit on the horizon, though, travel insurance needs to be taken seriously.

WHAT DO YOU NEED TO TRAVEL IN EUROPE?

Brexit or not, travel insurance is a good idea, for domestic travel through to long haul. For Europe, it's also worth applying for a European Health Insurance Card (EHIC). The EHIC is not an alternative to travel insurance, though, and this document goes hand in hand with travel insurance, covering you for emergency medical care in the local equivalent of a NHS hospital. The EHIC does not cover treatment if you find yourself in a private hospital.

WHAT WILL BREXIT MEAN FOR TRAVEL INSURANCE?

There has been speculation that the EHIC system will cease as a result of Brexit. Whenever Brexit eventually happens, though, current guidance suggests that your travel insurance will work as its been designed – unaffected by border changes.

CHOOSING TRAVEL INSURANCE

There are many different travel insurance options in the marketplace, and you'll need to choose these in line with the journeys and activities you're planning to do. To ensure your policy offers the most suitable cover, consider:

- What type of trip are you taking?
- Where are you going?
- How long will you be away?
- How old are you?
- Do you have any medical conditions?
- Will you be doing any sports or extreme activities during your trip?
- How often will you be travelling over each 12-month period?
- Who is going with you?

It's important to check you're covered before you leave and to read terms and conditions carefully before selecting a policy. The Ryan's travel insurance team are on hand to help you find the most suitable policy for you.

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Gold Best Employers Eastern Region 2018

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

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