ISSUE 39 ■ WINTER 2022

INFORMED

Working with professional partners

by Clayden FINANCIAL INDEPENDENT FINANCIAL ADVISERS

SPOTTING AN INVESTMENT SCAM

How scammers are getting more convincing

PASSING WEALTH DOWN THROUGH THE GENERATIONS

Releasing money tied up in your home

SHRINKING SAFETY NETS

More people set to dip into emergency funds

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

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

WELCOME TO OUR WINTER ISSUE

Welcome to the Winter issue of *Informed*.

The past quarter has been so eventful, with the sad loss of our dear Queen and the accession of Charles III to the throne. We have also seen government U-turns, three prime ministers and four chancellors, spiralling interest rates and rising inflation rates. If you're anything like me, you're probably feeling a little dizzy. Although the Chancellor's latest statement has shown some signs of settling the markets (at least for the time being), it would appear there are more changes and difficult decisions to come to ensure the UK's economic stability and confidence.

In future issues of *Informed,* some of the major investment providers we recommend will be providing insight into how global market situations are impacting returns and giving insight into fund manager views on some of the actions they are taking and the outlook for investors in the years ahead.

Again, the annual reminder for those of you who are running businesses and have a trading year end of 31 December. Remember to make your employer pension payments before this date if you wish the contribution to be used to reduce your Corporation Tax bill in this trading period.

Moving on to a personal note, our family has received a warm ray of sunshine in the form of Elsie, the new baby of my son Ashley and his wife Jessy. Many of you will know that Ashley has been an adviser with the company for the last three years and all the family are looking forward to celebrating Elsie's first Christmas.

Finally, the advisers and staff at Clayden's send very warm wishes for a wonderful Christmas and a healthy and happy New Year.

Leigh Clayden

CHRISTMAS ARRANGEMENTS

Clayden Financial will close at 1pm on Friday 23 December, and will re-open for business on Tuesday 3 January 2023.

Our calls will be monitored regularly over the festive break so if you need to speak to us urgently, do leave a message on 01473 730090.

We will be donating to the following food banks in lieu of sending out Christmas cards.

www.findipswich.org.uk, www.colchester.foodbank.org.uk and www.gatehouse.org.uk (based in Bury St Edmunds).

ELSIE ARLO CLAYDEN

A message from Ashley

Jessy and I were delighted to welcome Elsie Arlo Clayden into our world on 18 October 2022 at 9.32am.

Jessy and Elsie are both recovering well and we are all enjoying our time together at home – of course the Junior ISA is already open!

CLAYDEN FINANCIAL

Late summer staff day out

Following a wonderful lunch at The Sun Inn at Dedham, staff members enjoyed fun on the water. Leaving from The Boathouse, they explored the River Stour by rowing boat. As it was a beautiful day, the river was busy and navigation was challenging at times. Some boats ended up in the overhanging trees!

THE ADRIAN CLAYDEN MEMORIAL GOLF DAY

Over £6,000 being raised for Suffolk Samaritans

The Adrian Clayden Memorial Golf Day was held on 30 September 2022 at Stowmarket Golf Club. The 2020 and 2021 events couldn't take place because of Covid and the players were very pleased to return this year. As in previous years the Golf Day was a fantastic success, with over £6,000 being raised for Suffolk Samaritans.

Visit https://www.samaritans.org

The picture shows Adrian's wife Olly and their two girls Kelly and Sam with the winner Russell Jervis, who is also a very close friend of the family.

Passing wealth down through the generations

Millions of retirees help out in cost of living crisis

The rise in the cost of living is affecting millions of people. A third of young adults (18-34) and families with young children are struggling financially. According to new research, many are turning to family and friends for help with day-to-day expenses such as utility bills, housing costs and childcare[1].

One striking aspect is the extent to which grandparents are stepping in with thousands of pounds of support and helping grandchildren with housing deposits in addition to everyday expenses.

OPTIONS AVAILABLE

It's understandable why grandparents want to help their family and pass wealth down through the generations, however, there are a number of options available, each with different advantages and disadvantages.

Gifting money early can reduce Inheritance Tax liabilities and a grandparent can gift up to £3,000 a year without being added to the value of their estate. Currently, a couple could therefore gift £6,000 a year. If some or all of it was invested in a pension it would also receive tax relief.

GIFTING MONEY

Grandparents interested in helping a grandchild save for a house could also consider saving into a Lifetime ISA (LISA). Only the child/grandchild, as the account holder, can open and manage their LISA but it's possible to gift money to an account holder to pay into their LISA.

The research highlighted that those helping grandchildren gave £15,000 on average, while 10% gave over £50,000. The main reasons grandparents helped out grandchildren financially were to help with day-to-day costs (43%), help with bills (37%) and help to buy a house (24%).

SAVING FOR A CHILD OR GRANDCHILD

Parents and grandparents have several options when saving for a child or grandchild. Choosing the right one can make a big difference.

CONTRIBUTING TO A PENSION

Although most people won't set up a pension until they reach working age, a Junior Self-Invested Personal Pension (SIPP) can be started as soon as someone is born. In addition, any contributions made by a parent or grandparent, which can be made directly to the plan as 'third-party contributions', will be treated for tax relief purposes as if they were made by the beneficiary themselves.

This means that contributions paid to a 'relief at source' scheme will currently receive tax relief of 20% (£20 for every £80 net contribution) as long as the gross contributions do not exceed the beneficiary's relevant UK earnings for the tax year or £3,600 if more.

WANT TO DISCUSS HOW TO INVEST FOR YOUR CHILDREN OR GRANDCHILDREN?

All parents and grandparents want to give their children or grandchildren the best possible start in life. When it comes to investing for a child's future, putting aside just a small amount of money on a regular basis can really add up. So, are you ready to start saving? **To find out more, please get in touch.**

In addition, where a beneficiary has paid Income Tax at a higher rate, they will be able to claim the difference directly from HM Revenue & Customs through self-assessment, so a further 20% for a higher rate (40%) tax payer on some or all of the contributions.

Although a child under the age of 18 is unlikely to have relevant UK earnings, total contributions up to the 'basic amount' of £2,880 net (£3,600 gross) can be made each year and will still benefit from tax relief.

Pension contributions can be one of the more tax-efficient ways to gift money to a child or grandchild, but the money is likely to be inaccessible until they reach age 57 (normal minimum pension age is rising from 55 to 57 in April 2028).

LIFETIME ISAS (LISAS)

If the child or grandchild is aged between 18 to 40, helping them save into a lifetime ISA (LISA) can be beneficial, especially if they are trying to raise a deposit for a first home. This is because the government will add a 25% bonus to subscriptions of up to £4,000 a year (i.e. £20 for every £80 subscribed).

However, if withdrawals are made for any purpose other than purchasing a first home, a tax penalty of 25% (i.e. £25 on a withdrawal of £100) will apply unless the individual is terminally ill or aged 60 or above. Since the tax penalty exceeds the initial bonus, it is normally not the most tax-efficient investment if the penalty is likely to be incurred.

Only the child or grandchild, as the account holder, can open and manage their LISA but it's possible to gift money to an account holder to pay into their LISA.

TRUSTS

For those who want more control over how money is spent, setting up a trust can help ensure any investment is used appropriately. There are a wide variety of trusts that can be used to meet individual requirements.

Source data:

[1] Research from LV= highlights how millions of people have helped friends and family financially in the past six months. The LV= Wealth and Wellbeing Monitor – a quarterly survey of 4,000 UK adults – reveals that many people struggling with everyday living costs are turning to family and friends for support 23/08/22.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

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

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAXATION AND TRUST ADVICE. TRUSTS ARE A HIGHLY COMPLEX AREA OF FINANCIAL PLANNING.

Spotting an investment scam

How scammers are getting more convincing

Around half of UK adults have or know someone who has received a suspicious communication in the last 12 months, according to new research[1]. This equates to 27 million people across the UK.

Most of these cases can be described as 'phishing scams', when a fraudster attempts to imitate a legitimate company or person to secure important information from the victim.

Crypto scams are also becoming worryingly common, with one in five reporting they or someone they know has received one in the last 12 months.

Pension transfer scam communications account for 8% of contacts, while romance scams or dating scams are similar at 11%.

SCAMMER APPROACHES

21% of those who have or know someone who has been contacted say they have lost money because of approaches by scammers. However, among 18 to 34-year-olds, this increases to 46%.

The average loss to scams for themselves/someone they know was around £207, with this amount almost doubling to £361 for those aged 18 to 34 years old, compared to £112 for those aged 55+.

PENSION TRANSFER SCAMS

With many families struggling to make ends meet, and as the cost of living squeeze tightens, an offer to access your pension might seem the perfect opportunity to dig yourself out of trouble. The reality is you can't access your pension savings before the age of 55, so it's very likely it will be scammers.

Follow the simple rule of thumb: if it appears too good to be true, it inevitably is. Simply walk away, hang up or delete the email or text to keep your money safe from the scammers.

- 51% of UK adults – 27 million people – have received or know someone who has received a suspicious communication in the last 12 months
- Younger people are more likely to know someone who has lost money, and are aware of someone losing more than older generations
- Almost one in ten communications relate to pension transfers

10 TIPS TO HELP IDENTIFY AND AVOID FINANCIAL SCAMS

1. If you receive an offer to help you access your pension savings before age 55, for example, through 'pension loans' and 'free pension reviews'. It is only possible to access your pension before age 55 in rare situations, for example, if you are very ill.

2. Warnings that the deal is limited and you must act now. This is a pressure tactic and making any financial decisions should not be done under pressure.

3. HM Revenue & Customs (HMRC) will never contact you by email, phone or text informing you of a tax refund, so simply delete or ignore any contact made this way – HMRC will only contact you via post.

4. You are discouraged from seeking professional financial advice or talking to Pension Wise.

5. Sign up for Action Fraud Alert, a free service provided by the National Fraud Intelligence Bureau. The service alerts about new types of crime or those which are increasing in their severity. If you sign up, you will receive those alerts which are relevant to you. https://www.actionfraud.police.uk/sign-up-for-action-fraud-alert

6. Contact by somebody who is not on the Financial Conduct Authority (FCA) Register. The Register is a public record of all the regulated firms and individuals in the financial services industry, including pension providers and investment companies https://register.fca.org.uk/

7. Be very cautious around any recommendation to take a large amount of money, or your whole pension pot, in a lump sum and invest it elsewhere, for example, in overseas property, forestry, car parking or storage units. Be very wary of unsolicited offers of 'amazing investment returns'.

8. Seek advice from your professional financial adviser who will be able to explain the rules and tax implications of different options and help you make the best choices for your personal circumstances, so be very suspicious if this is discouraged.

9. There can be significant tax implications if you choose to cash in your pension in one go, so check the tax position before you make any decisions.

10. Check www.fca.org.uk/scamsmart for known scams and use the tools to help identify a potential scam.

LOOKING FOR FINANCIAL ADVICE?

We know you'll have different priorities for your wealth at different points in your life. Whatever your financial aims, we have the expertise that can help you achieve them. **Please contact us to discuss your plans.**

Source data:

[1] Source: Research among 2,000 UK adults conducted by Opinium, with fieldwork between 12–16 August 2022.

Shrinking safety nets

More people set to dip into emergency funds

Having money set aside can help to provide protection against any abrupt financial changes. A new report has identified 28% of working households with savings have started dipping into them to meet rising living costs[1]. A further 30% anticipate they will need to do so in the next year.

The most common reason for not having an emergency fund was due to wages barely covering the cost of living, and therefore being unable to afford to save.

MONEY TUCKED AWAY

With consumer prices higher than the year before, and with annual household energy costs set to rise, many households will likely have to rely even more on the money they have tucked away. This could see the household savings built up during the pandemic reduced.

The report highlighted the average working household currently has £2,400 in savings. However, this equates to less than a month of basic expenditure for the average family if they lost their income and were pushed to rely on their savings.

CURRENT SAVINGS PATTERNS

To feel financially secure, households estimate they need £12,100, or nearly five months' worth of basic household expenses, set aside. However, only 30% of working households have this set aside, and pressure to dip into savings will likely see this number fall.

Based on current savings patterns, with the average working household saving just over £300 a month, it would take three years to reach the desired financial safety net, and nine years to put aside a year's worth of essential spending.

INCREASED LIVING COSTS

However, two-thirds of all households that currently save have either already decreased or stopped their savings habit altogether, or expect to have to do so, due to increased living costs.

There are also a growing number of people who cannot put aside any money; nearly 1.9 million households have no money left at the end of the month, an increase of 330,000 since 2020. This is likely why 16% of households have no savings at all in case of emergency.

DIPPING INTO SAVINGS

With the cost of basic essentials on the rise, many households will find themselves having to make difficult choices and dipping into savings is likely to become more common. This is a far cry from the five-month financial safety net that people hope for.

It can be concerning for people to feel that they have nothing to fall back on in times of difficulty. While dipping into savings is inevitable for some, there are also steps people can take to try to control their costs as much as possible by checking their regular outgoings and subscriptions, and shopping around for discounts and deals.

IT'S GOOD TO TALK

If you are considering dipping into your savings, it might be necessary, but there may be options which have been overlooked. Getting guidance to avoid eating away at your hard-earned savings is essential. **If you require any guidance, to find out more, please contact us.**

Source data:

[1] Online survey among 5,021 UK consumers using Savanta's proprietary consumer panel between the 28 June and 5 July 2022. The survey covered employed and self-employed consumers aged 18 to 65 only, approximately nationally representative but ensuring a minimum sample in every region of the country. This extrapolates to approximately 31.228 million adults in the UK. Results were re-weighted to represent the UK population in terms of age/gender, region and employment status. All averages that are shown are median values. References to income refer to household income. Basic expenses are housing costs, loans/ credit card repayments, utility bills and food

Hot Topic

Claiming maturing Child Trust Funds savings

Encouraging children to become savers for their future adult life

UK Child Trust Funds (CTFs) were created in 2005 to help families save for their children's future, with the aim of helping every child born in the UK to have a savings pot to use when they turn 18.

If you're the parent or guardian of a child who was born between 1 September 2002 and 2 January 2011, then there's a good chance they'll have a CTF.

Tens of thousands of teenagers in the UK have not yet claimed their matured CTF savings and could have thousands of pounds waiting for them. The savings accounts mature when the child turns 18 years old.

PAYMENT VOUCHER

When CTFs became available, HM Revenue & Customs (HMRC) sent the parents or guardians of qualifying children a starting payment voucher of £250 (or £500 if you were on a low income). This voucher could then be used to set up a CTF account in the child's name.

If you didn't use the voucher within one year, HMRC would set up a Child Trust Fund account in your child's name on your behalf.

The scheme was closed to new applicants in 2010, but the money that has already been saved remained invested and can be accessed when the child reaches 18. Eligible teenagers, who are aged 18 or over and have yet to access their Child Trust Fund account, could have savings waiting for them worth an average of £2,100.

KEY DIFFERENCE

If you're not sure whether your child has a CTF, you can check with HMRC. You'll need your child's National Insurance number.

There are different types of CTF accounts, but they all work in a similar way. The key difference is how the money can be used when the child reaches 18.

With a cash CTF, the money can be withdrawn and spent as the child wishes. With a stocks and shares CTF, the money must be used to buy a first home or for further education.

ACCOUNT TYPE

If you're not sure which type of account your child has, you can check with the provider.

The government has also introduced a new scheme called Junior ISAs (JISAs), which are available to children under 18. JISAs work in a similar way to CTFs, but there is no limit on how much can be saved.

When your child's CTF matures, they'll be able to access the money but there are some things to bear in mind.

Here are our top tips for what to do when your child's CTF matures:

- Talk to your child about their plans for the money. It's important to get an idea of what they want to do with it before they access the funds.
- Consider whether it's the right time for them to access the money. If they're still in full-time education or training, they may want to wait until they've finished before using the money.
- Help them to understand the tax implications of accessing the money. The money in a CTF is tax-free but if they withdraw it all at once, they may be liable for income tax on some of it.
- Get advice on any investment decisions. If your child wants to invest their CTF money, it's important to get professional advice to make sure it's right for them.
- Even if they don't need the money from their CTF right away, it's a good idea to encourage them to think about saving for the future.

If you're the parent or guardian of a child with a CTF, it's important to be prepared for when they reach 18 and can access the money. Our top tips will help you to make sure you're ready for when that time comes.

If you would like more information, or to find out more, please contact us.

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

Clayden FINANCIAL
INDEPENDENT FINANCIAL ADVISERS