Corporate Benefits

SmartMoney

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Market matters

Don't let current global uncertainties affect your financial planning

Wealth preservation
Reducing Inheritance Tax means taking action now

Tips to minimise the tax you pay
Have you utilised your tax planning deadline opportunities?

Retirees enjoy new lease of life
Pensioners embracing the benefits of retirement

Financial resilience
How prepared are you for any financial shocks?

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INSIDE THIS ISSUE

Welcome to our latest edition. Whether you are looking to create, protect or preserve your wealth for future generations, inside this issue we look at areas you may wish to discuss with us.

Trying to second-guess the impact of events such as Brexit or the recent stock market correction – or even attempting to make a bet on them – rarely pays off. Instead, investors who focus on long-term horizons – at least five to ten years – have historically fared much better. It's important not to let current global uncertainties affect your financial planning for the years ahead. On page 06, we look at why investors need to stick to their strategies and keep moving ahead consistently by spreading risk and growing their wealth for the long term.

Without professional advice and careful financial planning, HM Revenue & Customs can become the single largest beneficiary of your estate following your death. On page 04, we consider the findings of a recent survey about Inheritance Tax that shows many wealthy Britons over the age of 45 are either ignoring estate planning solutions or they have forgotten about the benefits these can provide.

How prepared are you for any financial shocks? Over three million working couples are classed as 'double income, no option' (DINOs), which means they are potentially financially vulnerable if one of the two loses their earnings. On page 12, we consider the scenario many couples could face without adequate savings or protection insurance if one of the main earners was unable to work for a period of time.

On page 03, as we near the 2017/18 tax year end on 5 April, if appropriate to your particular situation, we've provided some tax planning tips to help you maximise the use of your various tax allowances and minimise the tax you pay. The full list of the articles featured in this issue appears opposite.

We hope you enjoy reading this edition and invite you to contact us if you would like to discuss or review any area of your financial plans. Seize the day. Your wealth is your life's work; helping you create, protect and preserve it is ours.

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INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

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

Tips to minimise the tax you pay

Have you utilised all your year-end tax planning deadline opportunities?

AS WE NEAR THE 2017/18 TAX YEAR END ON 5 APRIL, IF APPROPRIATE TO YOUR PARTICULAR SITUATION, WE'VE PROVIDED SOME TAX PLANNING TIPS TO HELP YOU MAXIMISE THE USE OF YOUR VARIOUS TAX ALLOWANCES AND MINIMISE THE TAX YOU PAY.

We take a personal approach to your tax needs. Informed by our detailed knowledge of your affairs, we explore some of the best options which you could consider to help manage your tax obligations most effectively.

Income Tax planning

- Ensure income-producing investments are held by the spouse who has the lowest tax rate
- Make use of the transferable married couple's allowance where one spouse is not fully using their personal allowance and the tax-paying spouse only pays the basic rate of tax
- If your income is around the £100,000 figure, look at ways of preserving the personal allowance. You could consider making Gift Aid payments or pension payments to help minimise loss of this allowance
- Consider topping up any Individual Savings Accounts (ISAs) you or your spouse have to the maximum limit, which is £20,000 each
- Make use of any unused annual pension allowance brought forward before it is lost
- Make use of the £5,000 dividend allowance available when considering salary and dividend options
- If your company car arrangement is coming up for renewal, consider opting for cars with lower emissions and list prices to help minimise an Income Tax charge

Inheritance Tax (IHT) planning

- Use your annual exemption for gifts of up to £3,000 per tax year; this exemption can be carried forward to the next tax year
- Regular (qualifying) gifts out of net income are exempt from IHT – consider establishing a pattern of regular gifting to take advantage of this tax break
- Wedding or civil ceremony gifts of up to £1,000 per person (£2,500 for a grandchild or great-grandchild, or £5,000 for a child) are exempt from IHT
- Small gifts exemption up to £250 – you can give as many gifts of up to £250 per person as you like during the tax year, providing you haven't used another exemption on the same person

Capital Gains Tax planning

- Make use of the annual exemption – currently £11,300 – and remember that assets can be transferred between spouses and registered civil partners tax-free

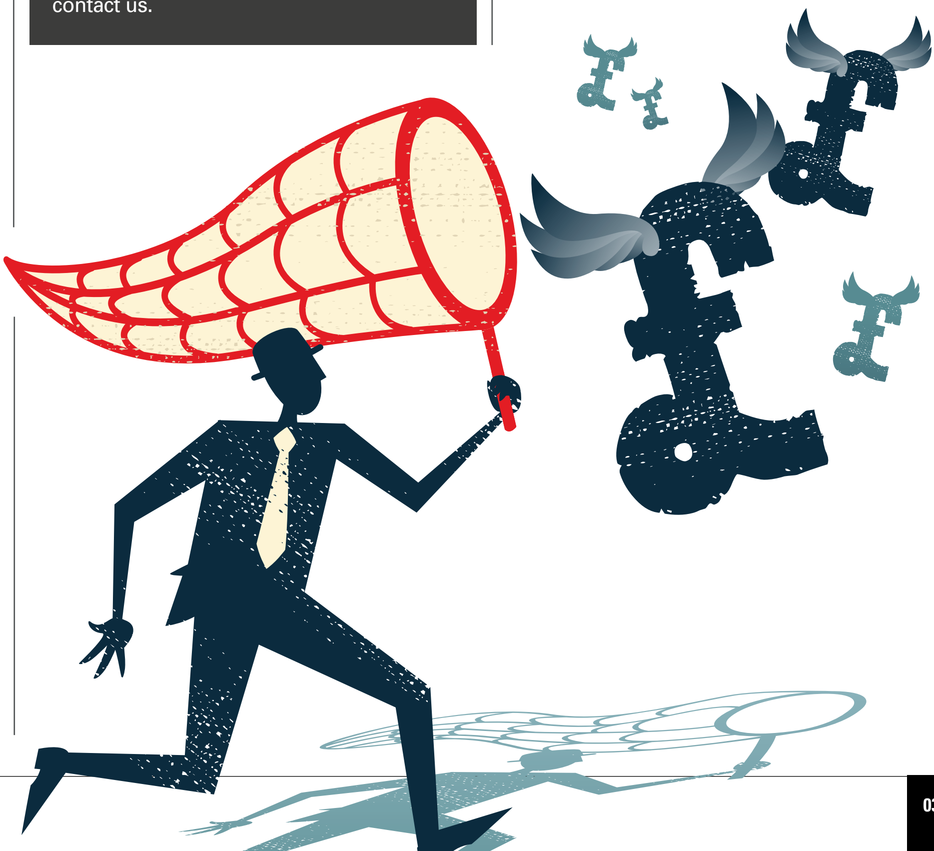
Help to optimise your tax position

The UK tax system continues to grow ever more complex, with a greater responsibility being placed on the individual to get their tax right. If you pay tax, we can help to optimise your tax position. To review your situation, please contact us.

THE INFORMATION CONTAINED IN THIS ARTICLE DOES NOT CONSTITUTE INDIVIDUAL ADVICE. ALWAYS OBTAIN PROFESSIONAL ADVICE RELEVANT TO YOUR OWN CIRCUMSTANCES.

ANY REFERENCE TO LEGISLATION AND TAX IS BASED ON OUR UNDERSTANDING OF UNITED KINGDOM LAW AND HM REVENUE & CUSTOMS PRACTICE AT THE DATE OF PRODUCTION. THESE MAY BE SUBJECT TO CHANGE IN THE FUTURE. TAX RATES AND RELIEFS MAY BE ALTERED.

THE VALUE OF TAX RELIEFS TO THE INVESTOR DEPENDS ON THEIR FINANCIAL CIRCUMSTANCES. NO GUARANTEES ARE GIVEN REGARDING THE EFFECTIVENESS OF ANY ARRANGEMENTS ENTERED INTO ON THE BASIS OF THESE COMMENTS.



Wealth preservation

Reducing Inheritance Tax means taking action now

WITHOUT PROFESSIONAL ADVICE AND CAREFUL FINANCIAL PLANNING, HM REVENUE & CUSTOMS (HMRC) CAN BECOME THE SINGLE LARGEST BENEFICIARY OF YOUR ESTATE FOLLOWING YOUR DEATH.

A survey about Inheritance Tax (IHT)[1] shows that wealthy Britons over the age of 45 are either ignoring estate planning solutions or they have forgotten about the benefits these can provide. Only 27% of those surveyed have taken financial advice on IHT planning, despite all of them having a potential IHT liability.

60% of people surveyed want to leave assets to their spouse or registered civil partner, and 29% would like to leave an inheritance to younger relatives such as nieces, nephews and grandchildren, but the largest single beneficiary from people's estates is still HMRC. To highlight this point, HMRC revealed they received IHT payments to the value of £4,670,000,000 (that's £4.67 billion) in the 2015/16 tax year alone.

> "Another way you can reduce your IHT is to put your money into a trust. This enables you to make a gift without losing control of the money, although care is needed if you still need to be able to access the money for yourself."

How much could your estate pay?

The level of IHT your estate will pay depends on the amount your estate is worth and the tax allowances in place at the time. The current IHT allowance of £325,000 is set to remain level until 5 April 2021. Your estate will normally pay IHT on anything above that at 40%. If you leave any assets to your spouse or registered civil partner, they won't have to pay IHT – it can be added to their estate and settled on their death. In the event your full IHT allowance isn't used on your death, the remaining proportion will pass to your spouse or registered civil partner to increase their IHT allowance.

From 6 April 2017, on top of the £325,000 allowance, a new allowance was introduced for people owning their own home. This Residence Nil Rate Band (RNRB) provides an additional £100,000 allowance to be applied against the deceased's main residence, as long as it is left to a direct descendant and the estate is valued at less than £2,000,000. Beyond that figure, the RNRB (and any transferred RNRB) will be gradually withdrawn. Like the main nil rate band, any unused proportion can be taken on by the surviving spouse or registered civil partner.

Reduce IHT and maximise the wealth you pass on

Make a Will

Having a Will is arguably one of the most important things you can do for yourself and your family. Not only can a Will legally protect your spouse, children and assets, but it can also spell out exactly how you would like things handled after you have passed on.

If your estate is worth more than the current IHT threshold, when you die and it passes to a non-exempt beneficiary (such as a child) or doesn't qualify for relief as an agricultural or business asset, then IHT at currently 40% will have to be paid on the excess.

Appraise your assets

IHT is a tax payable on the value of your assets when you die. It covers your estate, which can include your home, savings and investments, jewellery, cars, art, other properties (including holiday homes abroad), and proceeds from life insurance policies not written in an appropriate trust.

Potentially exempt transfers
If you're in reasonably good health, you could think about making an outright gift to someone you love. If you live for seven years after making the gift, it will usually be free of IHT.

Think about giving
You can give away up to £3,000 each year as either a single gift or several small amounts.

If you haven't used this in any tax year, you can carry it forward for one year. This will give you an annual exemption of £6,000 in the next tax year. For a couple, this could add up to £12,000 in one tax year, all free of IHT.

Consider establishing a trust
Another way you can reduce your IHT is to put your money into a trust. This enables you to make a gift without losing control of the money, although care is needed if you still need to be able to access the money for yourself.

Some trusts still attract IHT but are worth considering nonetheless. There are three main types of trust that can assist you with any IHT planning you are considering. If this is the case, please speak to us or your legal representative regarding placing money under trust and how it could help you.

Take out life insurance
If you don't want to give your money away while you are still alive, taking out life insurance could be an option. You may be able to set up a policy to pay out an amount equal to your estimated IHT bill.

It's possible to set up the policy in the form of an appropriate trust to remain outside your estate. It will pay out to the trustees to pass on to your nominated beneficiaries, giving them the money to pay the IHT due.

Gifts from monthly income
You can make regular gifts from your income after tax without paying IHT. This is the money you use for normal living expenses. You must make sure you only pay money from your income and not any savings or investments you have.

Gifts to qualifying charities
One way you can instantly reduce your tax rate to 36% is by leaving at least 10% of your estate to charity.

All gifts to qualifying charities and political parties are free of IHT.

Protect your pension
Maintaining your money purchase pension pot is another way to protect your family's inheritance. Unlike Individual Savings Accounts (ISAs) and other savings vehicles, pensions are not normally subject to IHT and can be passed to loved ones on death. Spending down other taxable areas of your estate before calling on your pension makes sense. ◀

Have you preserved and protected your legacy?

There are many things to consider when looking to protect your family and assets. Whatever your priorities are, the sooner you start thinking about IHT planning, the more you can do. To arrange a meeting to review your situation or discuss how we can help guide you through this highly complicated area of wealth preservation, please contact us.

Source data:
[1] Survey conducted by Canada Life of 1,001 UK consumers aged 45 or over with total assets exceeding the individual Inheritance Tax threshold of £325,000 carried out in September 2016.

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MARKET MATTERS

Don't let current global uncertainties affect your financial planning

IT'S IMPORTANT NOT TO LET CURRENT GLOBAL UNCERTAINTIES AFFECT YOUR FINANCIAL PLANNING FOR THE YEARS AHEAD. PEOPLE WHO STOP THEIR INVESTMENT PLANNING, PARTICULARLY DURING MARKET DOWNTURNS, OFTEN MISS OUT ON OPPORTUNITIES TO INVEST AT LOWER PRICES.

It's important to stick to your strategy and keep moving ahead consistently by spreading risk and growing your wealth for the long term.

Higher inflation and faster interest rate rises

At the time of writing this article in February, markets had reacted to the signs of faster wage growth and a strengthening US economy that may lead to higher inflation and faster interest rate rises. The global sell-off began following a solid US jobs report that fuelled expectations that the Federal Reserve would need to raise interest rates faster than expected because of the strength of the economy. That concern prompted the pullback from stocks.

The Bank of England seemed to offer support for the view that rates in general are on an upward path with a strengthening UK economy, meaning interest rates are likely to rise sooner than the markets were expecting.

More attractive investment alternatives

A government budget proposal announced by US lawmakers to raise spending caps could also fan inflationary pressures. Rising US bond yields are another possible signal of higher rates to come, which could impact on corporate profits and curb economic activity. But at the same time, higher interest rates can make investment alternatives to stocks, such as bonds, more attractive.

In practice, everyone's investment goals are different. By deciding on your long-term financial priorities – whether it's funding your children's education or saving enough to be able to retire early – you can avoid being blown off course by short-term events.

Investors should focus on long-term horizons

Trying to second-guess the impact of events such as Brexit or the recent stock market correction – or even attempting to make a bet on them – rarely pays off. Instead, investors who focus on long-term horizons – at least five to ten years – have historically fared much better.

Sensible diversification – owning a mix of assets, including shares, bonds and alternative investment such as property – can help protect investors over the long term. When one area of a portfolio underperforms, another part should provide important protection – and it's never too early or too late to start taking this considered and strategic approach.

> If you have a well-diversified portfolio, then it's more important than ever to stay the course. You have a strategy in place that reflects your risk tolerance and timeline, so stay committed.

Media frenzy

Volatility, risk and market declines are a normal part of the investing cycle, but the media likes drama. Reports will use words that make these market fluctuations sound alarming, so be cautious about reacting to the unnerving 24/7 news cycle.

Stay strategic

If you have a well-diversified portfolio, then it's more important than ever to stay the course. You have a strategy in place that reflects your risk tolerance and timeline, so stay committed. However, if you reacted and sold in a previous market decline or have not implemented a strategic asset allocation, then now is the time to have a discussion about your investment options.

Stay calm

Be aware of the psychological effect this type of volatility has on you as an investor and resist the urge to be reactive. The recent decline was expected and is coming after financial markets as a whole have experienced a historic bull phase for close to ten years now.

Stay focused

No one knows how severe any market turbulence will be or what the market will do next. It could be over quickly or linger for a while. But no matter what lies ahead, proper diversification and perseverance over the long term are what's most important. ◄

It's about achieving a good balance

There are many ways that you can invest, and while we all want our money to grow, it's important to think about the level of risk you might be willing to take with your hard-earned money. It's about achieving a good balance. To discuss your future investment objectives or review your current portfolio, please contact us.

New lease of life

Pensioners embracing the benefits of retirement and new-found time

AS WITH ANY NEW LIFE STAGE, PLANNING OFTEN HELPS A SMOOTH TRANSITION FROM THE OLD TO THE NEW. PREPARING PROPERLY FOR ANYTHING NEW REQUIRES PLANNING AND COMMITMENT. SPENDING TIME ON PLANNING NOW WILL ENSURE YOU ENJOY THE RETIREMENT YOU'VE WORKED HARD TO ACHIEVE.

According to new research[1], retirement has meant a new lease of life for millions of people who have given up work in the last ten years, with more than one in four (26%) saying they are fitter and healthier since they stopped working. Far from winding down, nearly half of those who have retired since the height of the financial crisis (48%) say they are busier and more active than they anticipated.

Experience of retirement

Through embracing the benefits of retirement and making the most of the new-found time, more than one in three (35%) say they have more time to make their life more adventurous than they could have hoped while they were still at work.

When asked how else their experience of retirement was exceeding their expectations, many of those who have become pensioners in the last ten years pointed to improvements in their relationships. More than a quarter (26%) believe they now get on better with their partner, while 25% think that their relationship with their family is happier since stopping work. Meanwhile, just under one in four (23%) say their social life has improved more than they expected.

Professional financial advice

As people who plan to finish work in the next ten years begin to look forward to their retirement, there's plenty they can still do to make sure they are as comfortable as the people who have become pensioners over the last decade. Most importantly, in the face of changing pension rules, many people will benefit from obtaining professional financial advice in the run-up to retirement.

Retirement will continue to change over the coming years, but for many people the desire to make the most of their new-found free time will remain. Reflecting on their retirement in general, the vast majority who gave up work

> As people who plan to finish work in the next ten years begin to look forward to their retirement, there's plenty they can still do to make sure they are as comfortable as the people who have become pensioners over the last decade.

in the last ten years (86%) said that it had met their expectations or they were happy with how it had panned out so far, while only one in eight (13%) said that it has been a disappointment.

Thoughts, feelings, emotions

Nearly two in five (37%) thought they would have missed work more than they have since retiring, and in fact one in four (26%) wish they had retired earlier. Meanwhile, on reflection, more than one in ten (11%) wish they had been more active or found a job in the early years of their retirement.

It's important to prepare your thoughts, feelings and emotions for the next phase in your life: a time to look forward to and welcome as a chance to do the things you have been dreaming about, as well as a rest after a long career. There is likely to be a mixture of feelings and thoughts as you start on this new venture into uncharted territory. ◀

Any concerns about your retirement?

If you have any concerns about your retirement provision or would like to assess your personal circumstances to see what type of retirement income your current planning will give you once you've retired, please contact us. If your goals are out of reach, or you're taking undue levels of risk, we'll let you know.

Source Data:

[1] Consumer Intelligence conducted an independent online survey for Prudential between 26 May and 5 June 2017 among 751 adults in the UK who had retired within the last ten years.

Avoiding hidden dangers in retirement

Make sure you don't run out of money or face a reduced standard of living

INCREASINGLY, MORE AND MORE PENSIONERS ARE KEEPING MUCH OF THEIR PENSION INVESTED AFTER THEY RETIRE. THIS MEANS THEY'RE FACED WITH TWO VERY DIFFERENT RISKS WHEN DECIDING WHAT TO DO WITH THEIR SAVINGS IN RETIREMENT IN A WORLD OF 'PENSION FREEDOMS'. SINCE APRIL 2015, PEOPLE WHO REACH RETIREMENT HAVE HAD MUCH GREATER FLEXIBILITY OVER HOW THEY USE THEIR PENSION FUNDS TO PAY FOR THEIR LATER YEARS.

A recent report[1] identified that many savers in retirement are either taking 'too little' risk (the 'risk averse' retiree) or taking 'the wrong sort' of risk (the 'reckless' retiree). Each of these approaches increases the danger of a saver either running out of money during their retirement or having to face a reduced standard of living.

The risk-averse retiree – how can you take too little risk?

An example of taking 'too little' risk is the saver who takes their tax-free cash at retirement and invests the rest in an ultra-low-risk investment such as a Cash ISA, believing this to be the safe approach. The report points out that 'investing in retirement is still long-term investing' and shows that decades of low-return saving can seriously damage the living standards of retirees.

It highlights the case of someone who retired ten years ago with an illustrative pension pot of £100,000 which they invested in cash. Assuming they withdrew money at £7,500 per year (in line with annuity rates at the time), they would now be down to £27,000 and likely to run out in around four years' time, less than fifteen years into retirement. By contrast, if the same money had been invested in UK shares, there would still be around £48,000 left in the pot, despite the 2008 stock market crash.

The reckless retiree – what is 'the wrong sort' of risk?

In an era of low interest rates, some retired people may be tempted to seek out more unusual forms of investment with apparently high rates of return but accompanied by much greater risk to their capital. Examples could include peer-to-peer lending, investment in aircraft leasing or even crypto currencies such as bitcoin.

Concentrated exposure to a single, potentially volatile investment can produce very poor outcomes, particularly if bad returns come early in retirement. The pension pot in the previous example would still have £88,000 in it if the bad year for UK shares had happened at the end of the ten-year period we looked at and not at the start.

The rational retiree – what is the best way to handle risk in retirement?

Rather than invest in an ultra-low-risk way or chase individual high-risk investments, the report identifies a 'third way' of spreading risk across a range of assets, including company shares, bonds and property, both at home and abroad. This multi-asset approach can be expected to provide better returns over retirement than cautious investing in cash but also helps to smooth the ups and downs of individual investments.

Pension freedoms open up new possibilities for people in retirement, but they create new dangers as well. There is the danger of being too cautious and not making your money work hard enough – investing in retirement is still long-term investing. There is also the danger of taking the wrong sort of risk, seeking high returns but putting your capital at risk. Spreading money across a range of asset classes and in different markets at home and abroad is likely to deliver better returns in retirement – and a more sustainable income – than remaining in cash, without exposing you to the capital risks that can come from chasing after more exotic or risky types of investment.

These investments do not include the same security of capital which is afforded with a deposit account. You may get back less than the amount invested. ◀

Help to ensure your expectations are fulfilled

By understanding your retirement plans, we are able to help ensure your expectations are fulfilled by establishing tailored plans to preserve your capital, produce income and pass on wealth securely and efficiently. If you would like to review your current planning provision, please contact us – we look forward to hearing from you.

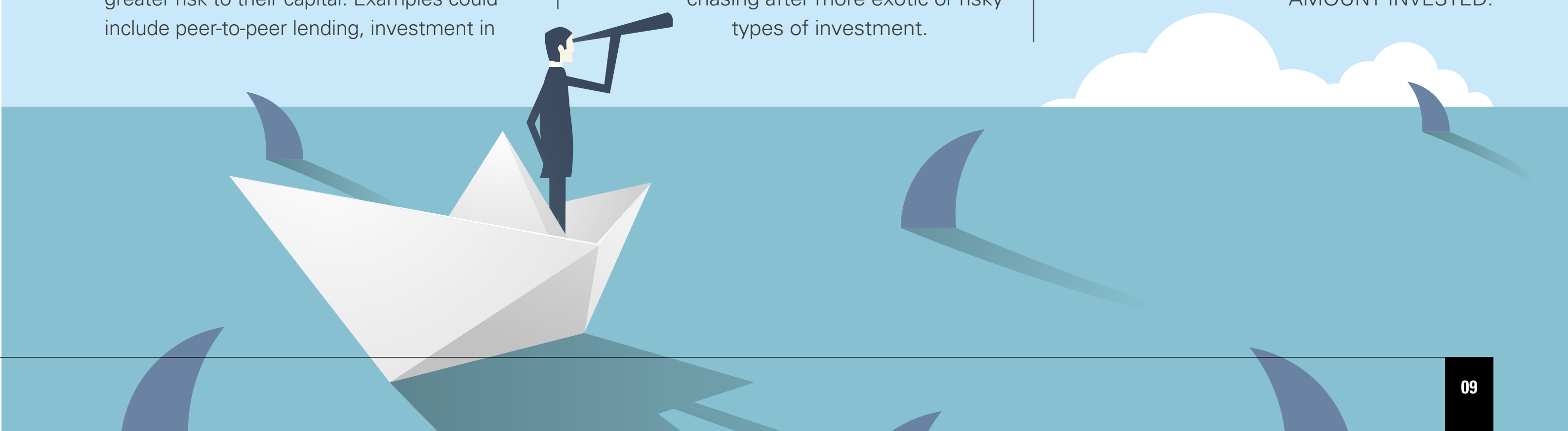
Source data:

[1] Research report published 13 January 2018 by mutual insurer Royal London

THESE INVESTMENTS DO NOT INCLUDE THE SAME SECURITY OF CAPITAL WHICH IS AFFORDED WITH A DEPOSIT ACCOUNT. YOU MAY GET BACK LESS THAN THE AMOUNT INVESTED.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.



How to make the most of your retirement

Steps you could take to increase your eventual income

EVEN IF RETIREMENT ISN'T FAR AWAY, THERE ARE STEPS YOU COULD TAKE TO INCREASE YOUR EVENTUAL RETIREMENT INCOME. THIS APPLIES BOTH TO YOUR STATE PENSION ENTITLEMENT AS WELL AS TO ANY PERSONAL OR WORKPLACE PENSION POTS.

We've provided some areas to consider that you may wish to discuss with us to help you to meet your retirement goals.

Make sure you have details for all your pension pots

Locate pension pots that you may have forgotten about. The Pension Advisory Service and the Pension Tracing Service can help you to trace forgotten pension pots. Remember to take your State Pension into account. Check your State Pension entitlement to help determine if and how much you're likely to receive when you reach State Pension age – and whether you'll need to top it up.

Consider topping up your pensions

Think about topping up your pension in the years leading up to your retirement. That little bit extra could make a difference. Remember, you might be eligible to top up your State Pension too. This could be particularly beneficial if you're self-employed or a woman, because it's possible your State Pension entitlement may be low.

From age 55, you can draw your pension savings as and when you need them and still pay into your pension. You'll continue to receive tax relief on your payments up to age 75, although taking benefits flexibly will limit how much you can put in.

Maximise your employer's contributions

You and your employer must pay a percentage of your earnings into your workplace pension scheme. How much you pay and what counts as earnings depend on the pension scheme your employer has chosen. Ask your employer about your pension scheme rules.

In most automatic enrolment schemes, you'll make contributions based on your total earnings between £5,876 and £45,000 a year before tax. When you increase your contributions to a workplace pension or private pension, some employers will also boost the amount they contribute.

National Insurance credits

National Insurance credits allow you to fill in gaps on your National Insurance record when you're not working and unable to make National Insurance contributions – for example, if you're unemployed, caring for children, ill or disabled, taking an approved training course or doing jury service. The credits go towards building qualifying years for your State Pension and could help boost your final entitlement.

Redirect regular spending into your pension

If you have a regular expense that no longer needs to be paid, you could redirect that extra money to your pension instead. As an example, once you finish paying off a car loan, you can put those payments into your pension fund. This is a quick and simple way to give your retirement savings a boost while sticking to your everyday budget.

Save any income increases

If your income rises – for example, due to a pay rise or a new income stream – put all or part of the sum towards increasing your retirement savings. This can be done in a number of ways, including by increasing the sum you contribute to a workplace or personal pension.

Carry forward tax reliefs

Carry forward allows you to make use of any annual allowance that you may not have used during the three previous tax years, provided that you were a member of a registered pension scheme. The current annual allowance is £40,000, so you might be able to boost your pension by up to £120,000 without incurring tax.

Consolidate your pensions

If you have paid into several different pensions over the years and find it hard to stay on top of all the paperwork, you could consider consolidating your pensions into one plan. This will also help to keep track of your overall retirement sum and whether or not you're on track towards your targets.

Before you switch, it is essential to obtain

professional advice to check that you don't have any guarantees that you'll lose by moving your pension savings to another scheme, and that the charges you pay aren't higher in the new scheme. Not all pension types can or should be transferred. It's important that you know and compare the features and benefits of the plan(s) you are thinking of transferring.

Consider retiring a little later than you'd originally planned

Delaying your retirement might give your pension fund more chance to grow. Remember though, if your pension fund remains invested, the value could go down as well up and you may not get back what you put in. If you defer your retirement, it's also important to check whether this will affect any state benefits you're entitled to.

Working part-time for a while after you finish full-time work might enable you to delay drawing money from your State Pension or your pension, meaning your money may last longer when you do retire.

You could consider trying something new, like setting up your own business. Becoming your own boss could be a good way to stay active and keep earning. ◀

The longer you put it off, the smaller your eventual income could be

Planning for retirement can be a daunting prospect, especially when it comes to your pension. But the longer you put it off, the smaller your eventual income could be. To ensure you make the most of your money in retirement and enjoy the lifestyle you'd always hoped for, we'll make sure you find the right options for you – to see how you could give your pension a boost, please contact us.

PENSIONS ARE A LONG-TERM INVESTMENT. THE RETIREMENT BENEFITS YOU RECEIVE FROM YOUR PENSION PLAN WILL DEPEND ON A NUMBER OF FACTORS INCLUDING THE VALUE OF YOUR PLAN WHEN YOU DECIDE TO TAKE YOUR BENEFITS, WHICH ISN'T GUARANTEED AND CAN GO DOWN AS WELL AS UP. THE VALUE OF YOUR PLAN COULD FALL BELOW THE AMOUNT(S) PAID IN.

Financial resilience

How prepared are you for any financial shocks?

OVER THREE MILLION WORKING COUPLES ARE CLASSED AS 'DOUBLE INCOME, NO OPTION' (DINOS), WHICH MEANS THEY ARE POTENTIALLY FINANCIALLY VULNERABLE IF ONE OF THE TWO LOSES THEIR EARNINGS.

The typical household today looks very different from the traditional image of a working family made up of one primary breadwinner and one homemaker. Instead, nowadays many households rely on two incomes to maintain their lifestyle, or even just to get by. Of the two thirds of Britons who are living as part of a couple, half (51%) are both currently working. Yet, without adequate savings or protection insurance, millions could be at risk financially if one of the main earners was unable to work for a period of time.

Dependent on two incomes

Research by LV= has found that there are 3.2 million working couples in Britain that would be classed as DINOs. This means they are dependent on two incomes to make ends meet, and would struggle to cope if they lost one of their incomes. The Money Advice Service (MAS) recommends the provision of 90 days' worth of outgoings in savings to protect against a financial shock.

The lack of savings may be down to people simply not being able to afford to put money aside. A quarter (27%) of working couples surveyed say their double wage isn't stretching as far as it did this time last year. However, not having a back-up source of money leaves many couples at a high risk of financial difficulty if one person couldn't work for a period of time.

Level of financial pressure

The level of financial pressure is also clear in the numbers who anticipate they'll be working for many years to come. Of couples who both work, three in five (58%) wouldn't choose to work if they didn't have to, while over half (54%) say the same of their partner. Three in ten (30%) people in a working couple expect that both they and their partner will have to work until retirement to make ends meet, while one in five (21%) think both of them will actually need to work throughout retirement.

Millions of couples need both incomes to pay the bills, with a significant proportion saying they'd have to make major changes if they had to rely on one income. And the impact of losing an income is not just financial. Two in five (42%) people in a couple say that if one of them couldn't work, it would strain their relationship.

Few have income protection

Despite the reliance so many households have on both incomes, worryingly few have income protection, leaving them vulnerable if one member of the household was unable to work for a period of time. Three in five (59%) say that neither they nor their partner has any form of income protection.

If your household is reliant on two incomes to make ends meet, it's important to consider how you would survive financially and emotionally if you were forced to live off one income. With so many households now relying on two salaries to get by, it has never been more important for couples to protect their joint incomes.

Help to support you financially

Income Protection (also known as 'IP insurance') is a form of insurance that helps support you financially if you have time off work and suffer a loss of earnings because of injury or illness. However, it is important to remember that Income Protection only covers you if you're unable to work due to illness or injury – it does not pay out if you are made redundant.

This type of insurance covers most illnesses that leave you unable to work. What that means, exactly, depends on your individual policy. For example, it may cover you if you are unable to work due to a stress-related illness or a serious heart condition. ◀

Much-needed boost to your financial resilience

Income Protection is one way for people to equip themselves should they find themselves unable to work for a period of time. It can be an affordable and valuable safety net that can provide a much-needed boost to their financial resilience. If you have any concerns or would like to review your options, please contact us – we look forward to hearing from you.

Source data:
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MOST INCOME PROTECTION PLANS HAVE NO CASH VALUE UNLESS A VALID CLAIM IS MADE.

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