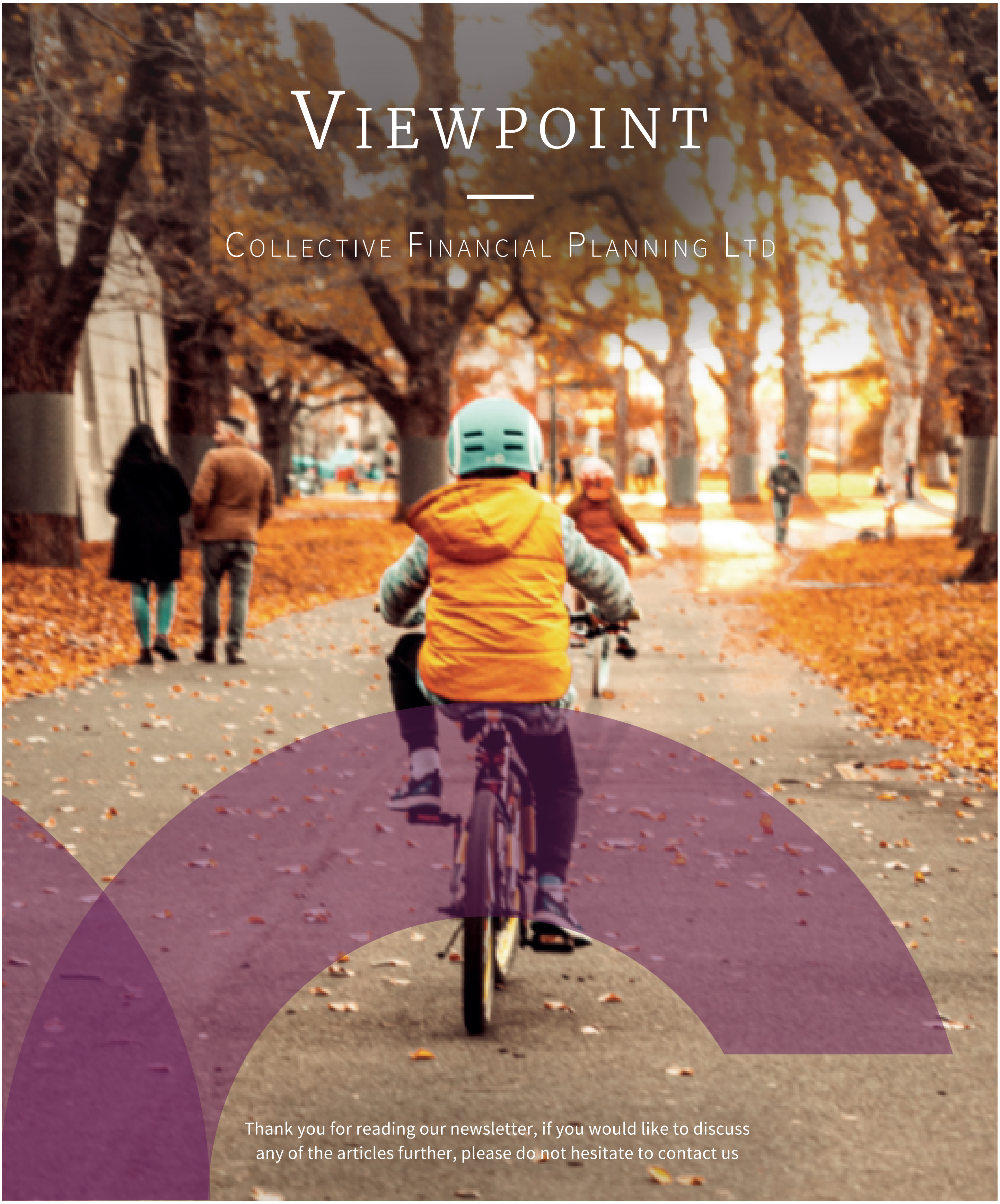

Viewpoint

Collective Financial Planning Ltd

Thank you for reading our newsletter, if you would like to discuss
any of the articles further, please do not hesitate to contact us

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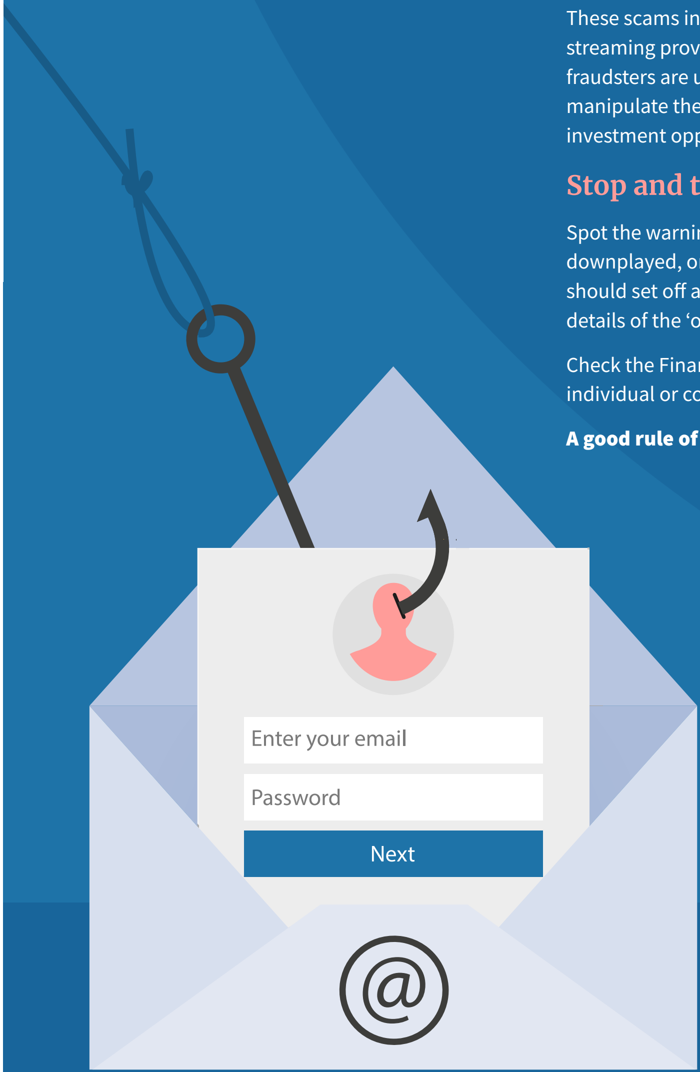
Don’t fall for a financial scam

Official bodies are warning consumers of an increase in scams designed to prey on people’s coronavirus fears.

Statistics from Action Fraud reveal that over £16m was lost to online shopping fraud during lockdown. In some scams consumers purchased goods online that never arrived. Others targeted animal lovers who lost nearly £300k in just two months after putting down deposits on non-existent pets advertised online.



Get scam savvy

Being familiar with the most common scams is essential to recognizing the danger signs. Recently, UK Finance released a list of the most common scams relating to COVID-19.

Financial support scams

Victims report receiving official-looking emails purporting to be from government departments or local authorities, offering financial assistance in the form of grants or ‘COVID-19 relief funds’. These emails contain links to websites encouraging victims to enter their personal and financial details. Other examples include emails offering a ‘council tax reduction’ as well as scams targeted at Universal Credit recipients.

Health scams

These scams prey on victims’ fear of contracting COVID-19. They include fake Test and Trace emails informing the victim they’ve been in contact with somebody with COVID-19, containing links leading to websites that steal the victims’ personal and financial details, as well as fake adverts for PPE.

Lockdown scams

These scams include fake emails that look like they are from TV Licensing or an online streaming provider, informing victims that they need to update their payment details. Other fraudsters are using online dating websites to take advantage of isolated people and manipulate them into handing over cash, while some are tricking victims with fake investment opportunities.

Stop and think

Spot the warning signs - If you’re contacted out of the blue, if the investment risks are downplayed, or they are using pressurised selling tactics which offer a bonus or discount, it should set off alarm bells. And if the offer is ‘one time only’ or you’re asked not to share the details of the ‘opportunity’, there is a high risk of a scam

Check the Financial Services Register – **register.fca.org.uk** or **0800 111 6768** – If an individual or company is not on the register it’s probably a scam

A good rule of thumb, with all scams if it’s too good to be true, it probably is.

If you think you are being targeted by a scam hang up the call, delete the email, rip up the letter. If you think you have been the victim of a scam already contact action fraud, the UK's national fraud and cybercrime reporting centre, immediately on **03001232040**.

To find out more about how to protect yourself from financial scams visit

- FCA ScamSmart **fca.org.uk/scamsmart**
- Take Five **takefive-stopfraud.org.uk/**
- Pension Wise **pensionwise.gov.uk/en**
- The Pension Advisory Service **pensionsadvisoryservice.org.uk/**

OW2991 Exp. 15/04/2021

Retirement and risk – striking a balance

The impact of COVID-19 caused extreme stock market volatility, with the average pension fund falling over 15% in Q1. While some of that value may have been regained over the last few months, pension savers remain understandably cautious.

In the past, the level of risk to which pension funds were exposed would reduce on the approach to retirement – a strategy called 'pension lifestyling'. This approach involves adjusting your portfolio to replace riskier assets with lower risk (although usually lower returning) options such as bonds.

In the current climate, with 1.5m workers planning to delay their retirement as a result of the pandemic and many more concerned about the continuing impact of stock market volatility, is pension lifestyling relevant at the moment?

Greater income needs

Just a few decades ago, the average pension pot would probably have needed to last for 20 years of retirement. As life expectancy increases, however, that period has stretched to 30 or even 40 years in some cases. As a result, it's likely you'll need to maintain some level of investment risk in order to generate the income required to live in comfort for the duration of your retirement – however long that may be.

The average pension fund fell over 15% in Q1 of this year

Keeping up with inflation

Even if you have enough in your pension pot now to keep you comfortable, inflation has the potential to erode the purchasing power of your savings over the passage of time. Therefore, lowering risk as you approach retirement, may not always be a suitable course of action, depending on your circumstances.

Risk and reward

The pandemic may have made you reflect on your attitude to investment risk but accepting a certain level of risk could ensure that your pension pot keeps up with, or even beats inflation. It could also help you save additional income for potential extra costs, such as long-term care fees. It's important to balance risk by diversifying your portfolio and perhaps setting aside some readily available cash in low-risk bonds or a savings account, to act as a buffer.

Financial advice is vital

In today's uncertain environment, taking financial advice can make the difference between a comfortable retirement and living in reduced circumstances. We can assess your personal situation and work with you to create a tailored plan for your pension that is aligned with your objectives, time frame and attitude to risk. If you'd like to understand how your approach to your pension should change in the run up to retirement, please get in touch.

A pension is a long-term investment. The fund value may fluctuate and can go down.

Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

The value of investments and income from them may go down. You may not get back the original amount invested.

OW2993 Exp. 31/12/20

Business Protection

You need it more than ever

Prior to lockdown, over half (51%) of businesses had some form of debt, owing an average of £176,000 each – and yet just 20% used an insurance policy as security.

To add to this already significant issue, bank lending to struggling businesses via government-backed COVID-19 loan schemes reached nearly £52bn as of mid-August – meaning that UK businesses are more heavily indebted than ever.

Business loan protection

Business loan protection provides funds to repay a business loan, commercial mortgage, or a director's loan if one of the company's owners were to die or be diagnosed with a serious or terminal illness. Essentially, this type of insurance comprises a life cover or critical illness policy taken out on the life of the business owner or key person, with the payout ensuring the business can pay its debts should the worst happen.

Most lenders require some form of security when lending to businesses; often, business owners will use their own personal wealth (e.g. their property) as security. So, in addition to their business suffering if they were to unexpectedly die or become seriously ill, their family could face serious financial hardship or even lose their home.

Director's loans

It is common for businesses to have a director's loan account, through which the director can:

— Lend money to the business to fund initial start-up costs or see it through cash flow pinch points, for example;

— Borrow money from the company that is not classed as salary, dividends or expense repayments.

According to research from Legal & General, the average director's loan totals £169,000 – and yet well over a quarter (28%) of businesses are unaware that director's loans must be repaid upon death. This means the business could collapse if there is no insurance policy in place as security.

Loss of a key person

A staggering 52% of businesses say they would cease trading within a year if they lost a key person. Losing a key member of staff can have a huge impact on the business in terms of lost profits, poor cashflow and, potentially, a change in its creditors' attitudes to outstanding debts. That's where business loan protection comes in – it can help alleviate financial pressure by paying off the company's debts and enabling the business to get back on track.

As with all insurance policies, conditions and exclusions will apply

51%

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OW2980 Exp. 14/10/2021

Happy 21st to the ISA

An Individual Savings Account (ISA) is a tax wrapper for your money. There are two main types available depending on the level of risk you're prepared to take:

— Cash ISA
— Stocks and shares ISA

If you're 16 or older you can have a Cash ISA, whereas Stocks and Shares ISAs are aimed at 18s and over. In both cases you'll need to be a UK resident to be eligible.

The ISA was launched by then-Chancellor, Gordon Brown, on 6 April 1999, as successor to the TESSA (Tax-Exempt Savings Account) and PEP (Personal Equity Plan) and has now reached the grand age of 21.

When the ISA was launched, the annual subscription allowance was £3,000 into a cash ISA or £7,000 into a stocks and shares ISA. The overall allowance has risen steadily over the years to reach a generous £20,000 in the 2020-21 tax year.

A first route into investment

Junior ISAs (JISAs) were introduced on 1 November 2011 and can be opened by parents or a guardian with parental responsibility, for a child from the minute they are born. Once opened, anyone can pay into the JISA, but a crucial point to note is that the child is not able to access the cash until they reach the age of 18. In the Budget earlier this year, the JISA annual allowance was increased by almost double to £9,000 per child per tax year.

Popularity

Over the 21 year timespan, ISAs have proved to be a popular investment choice for many; the most recently available government figures, which are for 2018-19, show that around 11.2 million adult ISA accounts and around 954,000 JISAs were subscribed to in the 2018-19 tax year, with new investments totalling around £67.6bn and £974m, respectively.

Long-term investing pays

Looking at some figures from a recent hypothetical example, **if you had been in a position to be able to invest your full ISA allowance for each of the past 21 years (a total of £226,560)** and this had been invested in the FTSE All-Share Index, **your total investment would be worth more than £307,000** as at 6 April 2020. However, you should be aware that this figure excludes any charges or fees and past performance is not a guide to the future.

Regular investing also pays

If you can't afford to invest the full £20,000, don't be deterred. Figures from the same hypothetical example, show that an investment of £100 a month invested in the FTSE All-Share Index over 21 years (a total of £25,200), would be worth over £39,000 at at 6 April 2020, before charges and fees, taking into account the large market-hit from the pandemic this spring.

The value of investments can go down as well as up and you may not get back the full amount you invested.

The past is not a guide to future performance and past performance may not necessarily be repeated.

Tax-free investing
It's time to talk

With the first wave of Child Trust Funds maturing this year, there's a great opportunity to talk to your children about the benefits of saving and investing.

If one of your children has recently celebrated their 18th birthday then there's a good chance they'll have some money in a Child Trust Fund (CTF), which they can now access for the first time. It could be worth thousands of pounds depending on how much you've contributed over the years. Although this might sound like a brilliant present, the responsibility that comes with receiving a large amount of money could be a bit daunting.

CTFs were set up by former Labour Chancellor Gordon Brown in September 2002, and every qualifying child was given a £250 voucher (or £500 if you were on a low income). The idea was to help make sure children arrived into adulthood with some savings and were encouraged to save, as well as understand why it's important. The scheme lasted until January 2011, when it was replaced by Junior ISAs.

So if you have children aged nine or older then they will probably also have a CTF, which will mature when they turn 18. Rather than leave it to chance, these accounts provide the perfect opportunity to get them thinking about money and start learning about saving and investing. Here are five things you might like to talk about to get the conversation going.

Key points

— If you have children born between 1 September 2002 and 2 January 2011 then they probably have a Child Trust Fund (CTF).

— Encourage them to think about what they'd like to do with the money before they turn 18 and that they've started to develop some financial skills.

— There are lots of investment options and it's important to make the right decisions so that they can continue to enjoy the tax-free benefits.

— Consider using a conversation with your children about their CTFs to explore other family financial planning matters, such as inheritance.

1. Discuss their goals

Like any financial planning exercise, a good place to start is by talking to your teenager about what they'd like to do with the money. For example, they could use some of it to help pay their university fees. Alternatively, they may be more interested in putting the money towards more longer-term aspirations like a deposit for a house or flat. You might even decide to enjoy spending some of the money together now as a family.

2. Explore the options

When a CTF matures, you can either cash some or all of it in or transfer the money into an adult ISA. If you do not inform your provider what you would like to do, they will hold the money in a 'protected account' until you contact them. The funds will still be tax free, and any terms and conditions that applied to the CTF before it matured will still apply.

3. Start the investment journey

With so many different markets and products available today, investing can seem like a complex process. Yet there are some basic principles that stand the test of time, such as making sure you spread your risks and keeping a long-term perspective. Your children might also be interested to know that they can invest in ways that reflect their personal values about society and the environment.

4. Consider switching before maturity

The investment management charges on CTFs tend to be high compared with Junior ISAs. Meanwhile, with interest rates at record lows, cash CTF savers are being paid paltry returns. That's why it might make good financial sense to transfer any account before it matures. As well as potentially lower fund charges, ISAs also tend to offer more flexibility and choice when it comes to deciding how you'd like to invest.

5. Talk about inheritance

When you talk to your children about their CTFs, you could mention how you plan to pass on your own wealth. Decisions about inheritance are usually best taken together as a family, which will give everyone the chance to put across their point of view about what's important to them. Open and honest discussions with your children can help you all develop a sense of trust and common purpose.

Next steps

If your children have CTFs and you'd like us to help you work out what to do then please get in touch. As well as exploring all the tax-efficient savings and investment options, we can get them thinking about their own financial futures as they enter into adult life.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Lost property

Even if you don't know the provider, it's easy to locate a lost CTF. Go to the GOV.uk website and fill in the HM Revenue and Customs (HMRC) form. This tells HMRC to check where the account was originally opened. You'll need a Government Gateway user ID and password. If you don't have a user ID, you can create one when you fill in the online form. Alternatively, The Share Foundation charity runs a free CTF tracing service.

www.gov.uk/child-trust-funds/find-a-child-trust-fund

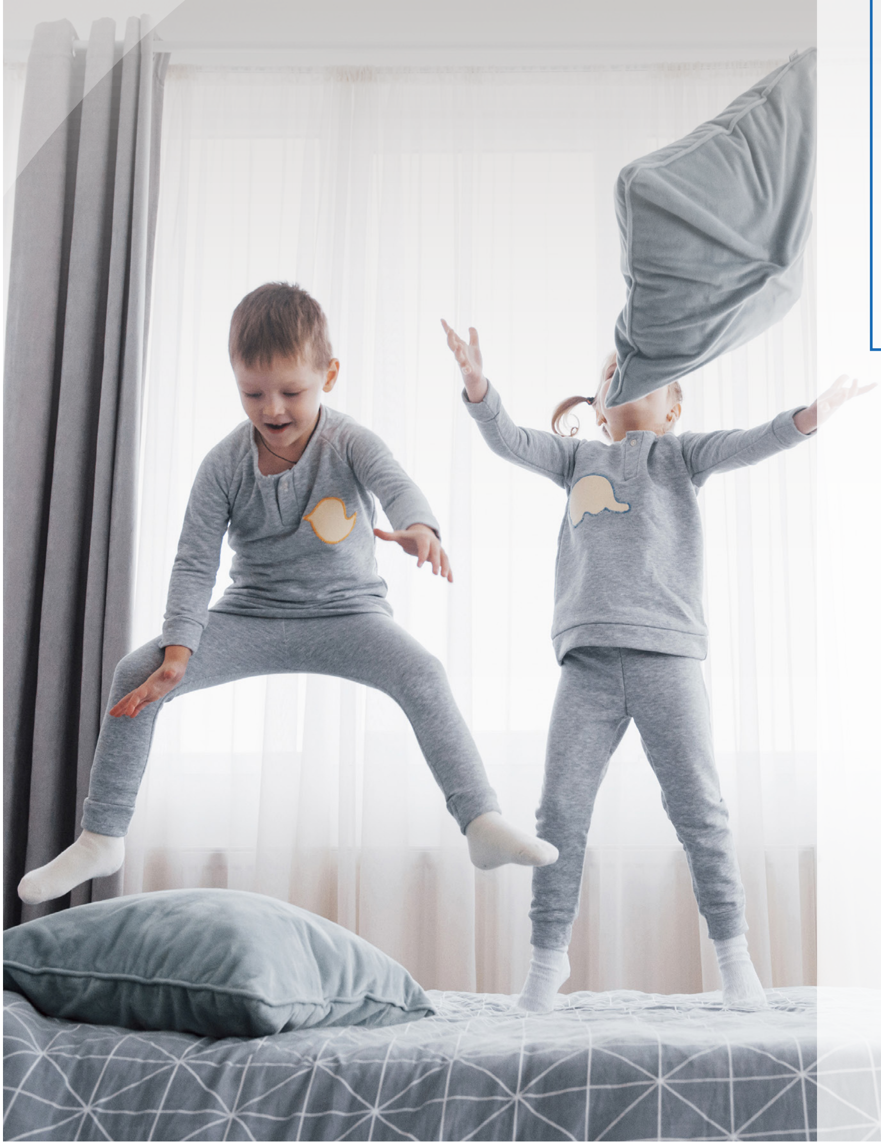
findctf.sharefound.org

OW2992 Exp. 26/04/2021

Home insurance

Buildings vs. contents cover

Your home is likely to be the most expensive purchase you'll ever make so it's important to insure it properly. Having the right type of cover in place means your property will be protected for a range of incidents, from burglary to a burst pipe.



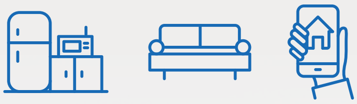
Buildings insurance explained

Buildings insurance covers the permanent fixtures and fittings of a property, such as **baths** and **toilets**, **fitted kitchens**, and even decorations such as **wallpaper**. It may also provide cover for your **garage**, **greenhouse** or **garden shed**, but policies vary so it's important to check the small print to be sure.

Although buildings insurance is not a legal requirement, if you own your home, most mortgage lenders will insist you have cover in place, so it should be considered essential.

Contents insurance explained

Contents insurance is designed to protect your belongings against loss or damage. As a general rule, it will cover anything that can be taken with you if you move home, such as **kitchen appliances**, **bedding**, **furniture** and v**aluables**.



It can be difficult to assess exactly how much contents insurance you need, but a simple way to do so is to go through each room and add up everything you would need to replace in the event of a claim.

There is no legal requirement to have contents insurance but is certainly worth buying to ensure you are not left out of pocket if you lose or damage any of your personal possessions. It can often be combined with buildings insurance.

Cover for renters

If you rent your home, it will be your landlord's responsibility to arrange buildings insurance for the property, so you will not need to take out your own policy. However, if you want to ensure your belongings are protected, contents insurance can be a sensible purchase.

Check for exclusions

As with any insurance policy, it is important to check for any exclusions that may apply. These will vary depending on the insurer but can include general wear and tear or damage that happens gradually over time, such as damp or rot.

Contents insurance will usually have a single item limit which means any belongings worth more than this, such as musical instruments or jewellery, may need to be named separately on the policy. You may also have to pay extra to add personal possessions cover to your policy to ensure your belongings are protected when they are taken outside the home.

OW2999 Exp. 22/10/2021