

VIEWPOINT

COLLECTIVE FINANCIAL PLANNING LTD

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What does a financial adviser do?

A financial adviser can help with your investment goals, but they can also offer many more ways to understand and make the most of your money.

You might think that people who use financial advisers are just investing in the stock market or need someone to manage their portfolios. But a financial adviser can do a whole lot more.

Different types of financial advice

For an adviser, it's their aim to help you achieve your financial goals, but that doesn't just cover building wealth through investment – their expertise can apply to everything from mortgages to life insurance, pensions, saving for retirement or handling an inheritance. Advisers can vary in what they specialise in, and fall under a large umbrella of services including:

Pensions

You may have several workplace pensions that you'd like to consolidate, or you could have questions about drawing an income from your pension. Whatever your circumstances, a financial adviser can examine the details within your pensions to guide you on how to approach them, considering how much you will need to live comfortably when you retire.

Tax

You might think that there is little difference between another area where expert help is needed is tax. From inheritance tax to capital gains tax or working out how much you should be paying (and if there are ways to minimise your tax bill) – is tricky. With the help from an adviser, you can become more tax-efficient and make the most of any tax breaks available to you. An adviser is best placed to help minimise your tax bills and get you the best returns.

Inheritance

An adviser can help you with leaving a legacy – an important part of planning the future of your estate and making sure your wishes are carried out when the time comes, and your wealth is passed tax efficiently. This advice could range from inheritance tax mitigation to making or updating your will.

Mortgages

Mortgages can be a tricky area, whether you're a first-time buyer, searching for the best remortgage deal or looking for an investment property. A financial adviser can help you navigate the process, find the right type of mortgage and map out how your mortgage will work over the years (and when it could be a good time to review your mortgage). They'll also be able to let you know your tax obligations if your property is an investment.

Investment

A financial adviser can help you navigate the world of investing safely, helping you take your first steps in investing or reviewing and managing your existing investments, as well as making you aware of any risks along the way and making sure you keep focused on the long-term goals through any market highs and lows. Our advisers have a broad breadth of experience and take an objective approach – offering ongoing advice and expertise – both of which are crucial to seeing your investment and retirement objectives come to fruit.

Our financial advisers are here to help you make sense of your finances, build, and manage your wealth and protect what you have going forward – to the benefit of you and your family.

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.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.



YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE

10 ways to reduce your tax bill

Being tax smart means knowing the basics about how tax affects your life and money. Here are 10 ways to reduce your tax bill, which could make your money go further for you and your loved ones.

1. Personal savings allowance

You're entitled to receive some interest on your savings tax-free every year, depending on your income tax band. For non-taxpayers or basic rate taxpayers you're allowed up to £1,000 per year; for higher rate taxpayers you get £500. If you have savings with a spouse or partner, you can each use your allowances against your joint savings.

2. Marriage allowance

If you are married, you might be able to take advantage of the marriage tax allowance. It allows one half of a couple who earns less than the income tax threshold (£12,570) to transfer up to £1,260 to their higher-earning spouse (who must be a basic rate taxpayer).

3. ISA allowances

An ISA account allows you to save or invest up to £20,000 tax free annually, whether it's in a cash ISA or stocks and shares ISA – which also comes with the benefit of being exempt from dividend tax and capital gains tax on all growth.

4. Dividend allowance

You are allowed to receive up to £2,000 a year in dividends, tax-free. This allowance can be particularly useful if you own shares or you're a company owner or director.

5. Capital gains allowances

Profits (or 'gains') you make on the sale or disposal of an asset (like a property where it's not the main home, investments and shares not in an ISA or even personal possessions worth more than £6,000 (apart from your car) are exempt from tax up to the annual allowance of £12,300. For married couples or those in civil partnerships who own joint assets, the allowance is doubled – to £24,600.

6. Pension allowance

Your pension allowance annually is £40,000, although it can be lower for higher earners and where pension savings have been flexibly accessed. Any contributions you (or your employer) make receive tax relief from the government (based on your income tax band) of 20% or more – and the money in your pension pot will grow tax free.

7. Pension carry forward

If you don't use up your annual pension allowance, you can 'carry forward' the previous three years' worth of unused allowances providing you are still registered with the pension and have earned in the current tax year the amount you (or your employer) would like to contribute.

8. Charitable donations

You can donate to charity tax free and claim back the tax on your donation through gift aid. If you are a higher or additional income taxpayer, you can also claim back the difference to the basic rate on your gift aid donations. Just remember to keep hold of all records of your donations to claim tax relief when the time comes to submit your tax return.

9. Gift giving exemptions

Gift giving comes with the benefit of being exempt from inheritance tax, for an annual gift amount of £3,000. Other tax-exempt gifts include money towards a wedding or grandchild's education. No inheritance tax is due if you live for seven years after making the gift to someone who is not your spouse (for example, gifting your children a property).

10. Knowing your tax code

This one is important because your tax code tells HMRC how much of your salary they will collect. It's a good idea to check your tax code each time you change jobs or at the start of the tax year. Being on the wrong code could mean you've overpaid tax and are due a refund.

These are just some of the ways you can ensure you're making the most of your money and not paying more tax than is necessary. Speak to your adviser to learn more about your money, estate, and taxes. Please note that Openwork advisers are not able to provide specific tax advice.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

For specific tax advice please speak to an accountant or tax specialist.



Online trading - what you need to know



Although online trading has become more accessible, is it best to leave things to the experts?

Not so long ago, if you wanted to invest you'd have to go through a stockbroker or a financial adviser. Now, investors can use a DIY investing platform to trade from the comfort of their own homes with a laptop or a mobile phone. But is it worth the risk?

What is online share dealing?

An online dealing platform allows you to buy and sell shares from companies that are listed on the stock exchange. Many platforms also include readymade portfolios tailored to your risk appetite and some services offer different types of investments in addition to shares, including bonds and funds. It's worth noting that a ready-made portfolio may not always give you the best returns compared to using the expertise of a financial adviser.

Once you've set up an account you can start searching for companies and funds that you wish to invest in. You can then select the quantity or value of the shares you want to buy. You can hold any shares you purchase within the platform, so you do not need to retain any sales certificates.

Is online share dealing right for me?

Online trading is easy and convenient for experienced investors who can manage their expectations and the risks involved in going it alone. Of course, with a DIY investing platform, you won't have to pay any charges to a broker, but for investors that are new or less experienced there are a host of pitfalls:

- Online trading platforms don't provide advice or assess your attitude to risk, so you have to make your own decisions. Some people enjoy the flexibility and speed of this, but it can lead to problems if you don't fully understand how markets operate.
- Don't forget, the value of investment can go down as well as up, and you could lose most of if not all your money when you invest. Knowing the potential risk and return is an essential step before you start, along with what the worst-case scenario might be for your finances.
- Buying and selling online can be dangerous if you're an undisciplined investor because it's easy to act on emotion. A DIY investor might sell at the wrong time or start investing with a portfolio that is poorly suited to them.

Investors should also be aware of how much they are paying when choosing online share platforms and think about the combination of price and service. Avoid just looking at the admin fee or dealing charges, but instead think about how much they are combined. A low admin fee might look good, but costs could soar if you buy and sell a lot.

How much does it cost?

While you'll be saving money by not paying a broker, if you use an online platform, you'll still have to pay charges when buying, holding, and selling shares. Some charge a flat fee and others charge a percentage of your holdings. There will also be trading charges when you buy and sell shares. When purchasing UK shares you should expect to pay 0.5% stamp duty and an extra £1 on transactions above £10,000. You may also be charged an exit fee if you want to transfer to a different provider.

Benefits of financial advice

If you're uncomfortable going it alone, you might want to think about speaking to an adviser who can recommend which investments are appropriate for you.

- A financial adviser can assess your attitude towards risk and help you select a portfolio that is compatible.
- Advisers know the importance of staying invested for the long run to take advantage of upward trends in the markets.
- While some investment platforms offer ready-made portfolios, an adviser can build a more tailored investment approach.

It's always a good idea to make sure your portfolio is diversified so when one investment goes through a bad patch, there should be others that are doing well. A typical portfolio might consist of a mix of different assets, including shares, bonds and cash. A financial adviser is best placed to help you manage the risks associated with investing by building a well diversified portfolio so your investments are always working hard for you.

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.

Due to the high risk nature of these product will not be suitable for everyone

Myths about retirement

When it comes to retirement, there are some ideas that can turn out to be quite different when you examine them closely. We explore five of them.

1. You can live off the state pension alone

The current basic state pension is £137.60 per week, or £179.60 for the new state pension if you were born on or after 6 April 1951 (for a man) and on or after 6 April 1953 (for a woman). That works out annually as £7,155 or £9,339 respectively, depending on meeting National Insurance contribution requirements and other eligibility criteria.

This could be enough for those who own their home outright, to cover the very basics for everyday living but is limiting for those who want to enjoy a more comfortable retirement without money worries. As life expectancy rises, so does the amount of time we'll need to fund our lives in retirement, including long-term care when we're older.

2. Matching your workplace pension is enough

With an occupational (workplace) pension, the overall minimum total contribution is 8%, with employees paying in 5% of salary and employer contributing 3%. But this might not be enough to give you the kind of income you're expecting once you've retired.

The good news is you can back your workplace pension up by increasing your contributions if you're able. Better still, some employers also offer to pay more into your pension to help build your retirement benefits faster, by matching any additional contributions you make up to a set level. If you start the ball rolling earlier, the more tax relief you'll receive and the more time your overall pot will have to grow.

3. It's possible to keep working for longer

The reality is, even if you wanted to continue working either full – or part-time after state retirement age, you might not be able to do so. It might be too physically demanding or might not fit in with retirement goals like spending more time with grandchildren, travelling or other pursuits you've been looking forward to.

Getting help from a financial adviser can ensure you have your desired level of income in retirement. You'll then be able to focus on keeping busy through hobbies, part-time work or other areas like volunteering in your community.

4. After a certain point it's too late to save for retirement

As we're living – and working – longer than before, while it's true that the sooner you start the better, life doesn't always go as planned so it's never too late to start saving for retirement. Compound investment growth can make a big difference to the value of your pension over time.

5. You can save for retirement without help from an adviser

Even with the best intentions when it comes to saving and investing, doing it alone is difficult. That's why working with a professional investment adviser can give you confidence about the direction of your investments. An adviser will be able to point out the long-term benefits of your investments and how they can pay off for you.

Speak to your adviser about making the most of your pension investments.

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What are value-added services?

Value-added services are benefits included in an insurance policy that you might not be aware of – but could help improve your overall health and wellbeing.

When you take out an insurance plan like life insurance, critical illness or income protection, you get the financial protection in the form of a payout, but there are also other services available to you as complementary parts of those plans.

These 'value-added services' or 'wellbeing services' are designed to provide customers with a range of emotional and practical support services throughout the life of the plan, not just when you may need to claim. Most services are included within the price of the plan and can often be accessed by family members too.

It's a good idea to check your policy first (and contact your provider to see if any of their services carry a charge) but you may find some of the following complementary value-added services are part of your policy:

These are just some of the extra-value services that your insurance plan could offer, covering a wide range of needs.

If you're unsure about how to find out more information from your policy, our advisers are here to look at the small print and help you make the most of any value-added benefits available to you.



Annual health check

A range of tests to check various health markers such as cholesterol and blood sugar levels. This may be followed by a consultation with a nurse or GP to discuss the results, depending on how your policy works.



Bereavement counselling

Giving you access to emotional and practical support at a difficult time, if you have been affected by bereavement.



Mental health support.

Being mindful of mental health is more important than ever. These value-added services help those facing mental health challenges, with counselling through various health providers.



GP services

Ability to see or speak to a medical professional from your home or faceto-face, without facing long waiting times, and at a time that suits you.



Second medical opinions

Second medical opinion services give you the chance to check with a second medical professional about the course of treatment or a diagnosis you've received.



Nutritional support

Gives you access to a nutritionist to help improve your diet, which could boost your overall health.



Fitness services

These services give you access to fitness services to enhance your overall health and wellbeing.