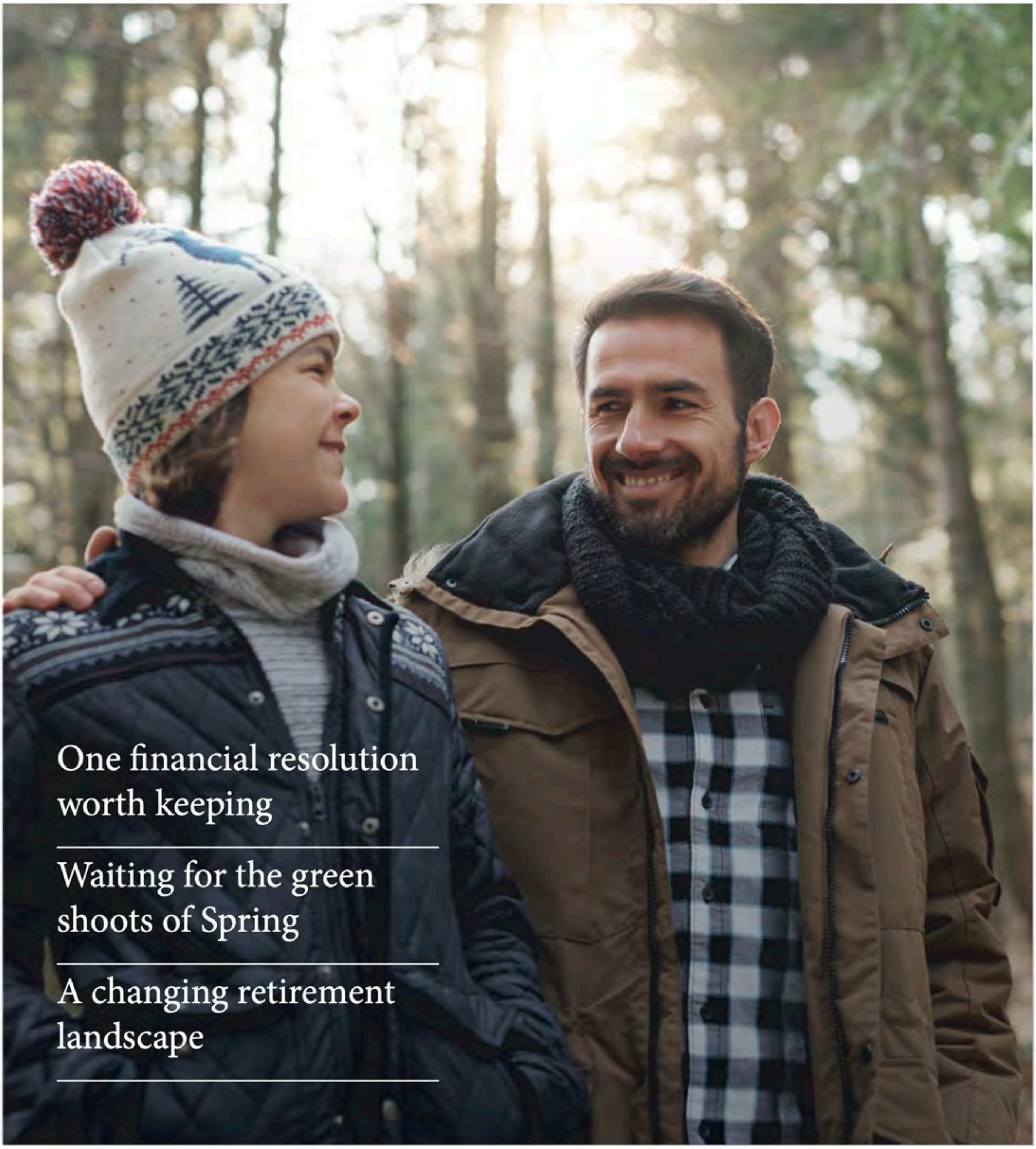
Essentially Wealth



Q1 2020

Orgon FINANCIAL CONSULTANTS LTD

In this issue

Quilter Financial Planning

One financial resolution worth keeping

Boosting financial wellbeing is a perpetual resolution for many of us.

Whatever your goals, the fresh beginning a new year brings is the perfect time to take stock of your finances and make resolutions to achieve them. A new study has concluded that the likelihood of successfully achieving your financial goals is heavily linked to receiving professional advice and the establishment of clear financial objectives.

It's all in the numbers

The research[1] provides a quantitative measure of the value attributed to advice when it comes to helping investors reach their goals. Based on real-life data relating to over 100,000 advised investors, the US study found that eight out of 10 with a defined retirement goal had at least an 80% probability of achieving their financial objectives. So, advised investors typically met 80% of their financial goals. This study once again reiterates the significant value that can be gained from seeking professional financial advice.

On the right path

Determining your financial objectives enables you to think through exactly what you want to achieve with your assets. To really engage with your future, you need to think about what you want to do in the years ahead; where do you want to live, how do you envisage your life? This leads on to establishing clear, realistic objectives and goals, providing a distinct direction. And so, your plan takes shape. We can assess how much you will need and recommend the right investments. Regular financial reviews provide opportunities to monitor progress and adapt plans if necessary.

Happy talk

Please get in touch if your circumstances have changed or the new year has encouraged you to refocus your financial objectives. We can work together to ensure your financial goals remain realistic and to turn your financial resolutions into reality.

[1]The Vanguard Group Inc, 2019

University – addressing the challenge of covering costs

Whilst awareness and popularity of alternative options for further education, such as apprenticeships and vocational courses, has increased in recent years, so too have the number of university applications.

Figures from the Universities and Colleges Admissions Service (UCAS) revealed a new record for English UCAS applications last year, with 39.5% of 18-year-olds applying. Closely matched were Scotland with 32.7% (not including Scottish further education college undergraduate applications) and Wales with 32.9%. Northern Ireland's rate was the highest at 46.9%.

UCAS also reported on the increase of applications from those in the UK's underprivileged areas:

"In England, the number of young people applying from the most deprived areas has increased 6% to 38,770. In Scotland, young applicants from the most deprived areas have grown by 3%. In Wales, applicants from the most deprived areas remained at 1,390[2]".

Building a nest egg

The steadily increasing cost of university life has often made headlines, with the need for students to cover the price of tuition and living expenses (assistance in the form of grants and bursaries are available in some cases UK-wide and for those eligible in Scotland).

So, it makes sense to plan ahead. A good place to start is by opening a Junior ISA (JISA) as early as possible in your child's life. If added to regularly, it will soon build up and provide a healthy lump sum to draw upon. In the 2019-20 tax year, £4,368 per child can be contributed.

Talk to us to ascertain the best options for your circumstances. We can advise on JISAs and other savings and investment products, to help provide for your loved one's financial future, whatever they decide to do.

[2]UCAS, July 2019

Waiting for the green shoots of Spring

At the end of last year, the global economy was precariously balanced as various geopolitical traumas weighed. Forecasts suggest 2020 will experience a recovery, albeit a weak one.

In its latest economic soothsaying[3], published in the autumn, the International Monetary Fund (IMF) outlined that the global economy is growing at its slowest pace since the financial crisis and downgraded its 2019 world growth forecast to 3.0%. The IMF also stressed risks remain skewed to the downside.

Cautiously optimistic

The IMF predict growth will pick up this year, with the world economy forecast to expand by 3.4% in 2020. While this may suggest green shoots of recovery are set to emerge, it does imply any recovery is likely to be modest, as uncertainty about prospects for several emerging market countries, a projected slowdown in China and the US, and prominent downside risks, mean a more subdued pace of global activity could present.

[3]IMF, Oct 2019

Your changing protection needs for every life stage

Life is full of surprises and not all of them good. With this in mind, having the right level of protection in place is essential. Once protection is in place, it's worth reviewing it regularly to ensure you have the right cover as your circumstances change over the years.

A recent survey[4] reveals that just 27% of consumers are confident of the levels of protection they have in place. The results also show that people tend to overlook potential health issues, instead thinking that an early death is more likely than a serious health condition. Participants indicated that they think it's twice as likely they will die during their working life than have an accident that could stop them from working.

Financial pressures can cause huge strain. More than 50% of 18 to 35-year-olds say if their health prevented them from working, their savings or investments would last them less than three months.

Trigger points

Discussing your protection requirements with us ensures that you have the correct level of cover in place for you and your family. Certain trigger points, such as getting married, having children, moving home and taking on greater financial liabilities, are great prompters to reviewing the suitability of the cover you may already have in place.

[4]Royal London, 2019

Free childcare – grandparents really are doing their bit

Anyone with children knows that childcare is a major expense that comes in many forms, from day nursery for small pre-school children and babies, after-school clubs and child minders, to school holiday cover for working parents. Care requirements span many years and often eat a good chunk out of a family's income.

Faced with exorbitant childcare bills, it's no surprise that many parents are turning to their own parents for assistance. Research[5] has revealed that a massive 85% of grandparents offer some kind of support with childcare. UK grandparents spend an average of eight hours a week caring for their grandchildren, saving families an astounding £22 billion every year, which works out at an average of £4,027 per family.

[5]SunLife, 2019

IHT receipts continue to rise – planning pays

A record amount of Inheritance Tax (IHT) was collected in the last financial year, according to HMRC data. In the 2018/19 tax year, UK citizens' estates paid a grand total of £5.4bn in death duties, an increase of 3% on the previous tax year.

This increase continues a long-term trend, as over the last nine years IHT receipts have doubled. The number of estates liable to IHT has been rising since the nil-rate band was frozen, in April 2009, at £325,000. Will IHT be earmarked for a shake-up in the March Budget? We'll keep you posted on any developments.

In the meantime, many people are keen to put in place the right plans and tax-saving strategies to ensure they leave as much of their estate as possible to future generations.

Take action

There are ways to minimise the amount of IHT that would otherwise be payable, including giving away assets in your lifetime, taking out life insurance policies, setting up trusts, making gifts from your surplus income, maximising the use of your annual tax-exempt allowances, or giving money to charity. We can help you assess your estate's potential liability and make appropriate plans to mitigate IHT.

A changing retirement landscape

Traditional views of retirement continue to be called into question, as the Office for National Statistics (ONS) reports growing numbers of people aged 90 or over.

With ongoing medical research and development and improvements in public health, it's no real surprise that the number of people aged 90 and above keeps growing. ONS figures from 2018 show an increased total of 584,024 (up 0.7% on 2017).

A longer, more costly retirement

With so many now living longer, retirement funds have many more years to cover than ever before. As people are now anticipating an extended retirement, we are already noticing changes in employment with many continuing to work for longer, gradually withdrawing from the world of work and achieving a work-life balance that suits them, while still bringing home an income.

Care costs are an important consideration for those in or entering the retirement bracket. While living longer is a positive, it also means that an increasing number of people are living in a relatively poor state of health for more of their lives, which can have a significant impact on the funds set aside for a comfortable retirement.

Everyone's circumstances are unique. Don't underestimate the need to set targets and plan ahead.

Generation grudge – desperately seeking balance

According to think tank the Intergenerational Foundation, younger generations are becoming increasingly resentful of older people. They believe it's unfair that older generations hold a disproportionate amount of the nation's wealth while they battle with student debt, getting on the property ladder and insecure employment.

Younger people may begrudge their elders for 'intergenerational unfairness'[6], but older people actually share their concerns. Many parents and grandparents do their best to assist their younger relatives but are often hampered by the need to save for retirement and/or future care home fees.

Education and property major issues

The disparity between older and younger generations stems in part from the increasing importance of higher education. With UCAS figures showing that around 40% of 18-year-olds are now applying for university[7], many more young people are paying off student loans into their 30s, 40s and beyond, as well as entering full-time employment later in life.

This has had a knock-on effect on their ability to purchase a property – indeed, Ministry of Housing, Communities and Local Government data reveals that the average first-time buyer is now 33[8], an age which has risen by two years in just a decade.

Saving for the future

Although older generations have almost as many financial commitments nowadays as their younger counterparts, there are ways to help out. If you're looking for assistance with intergenerational rebalancing, we can help; starting the conversation is the first step.

[6]Intergenerational Foundation, 2019
[7]UCAS, 2019
[8]Ministry of Housing, Communities and Local Government, 2019

Aggravated by acronyms?

ATM, Bupa, COB, Duracell... these days it seems that acronyms, abbreviations and made up names are absolutely everywhere.

Most people associate this linguistic phenomenon with creative industries such as retail and marketing. But don't be fooled – financial institutions, regulatory bodies and businesses have all been caught up in the abbreviation sensation.

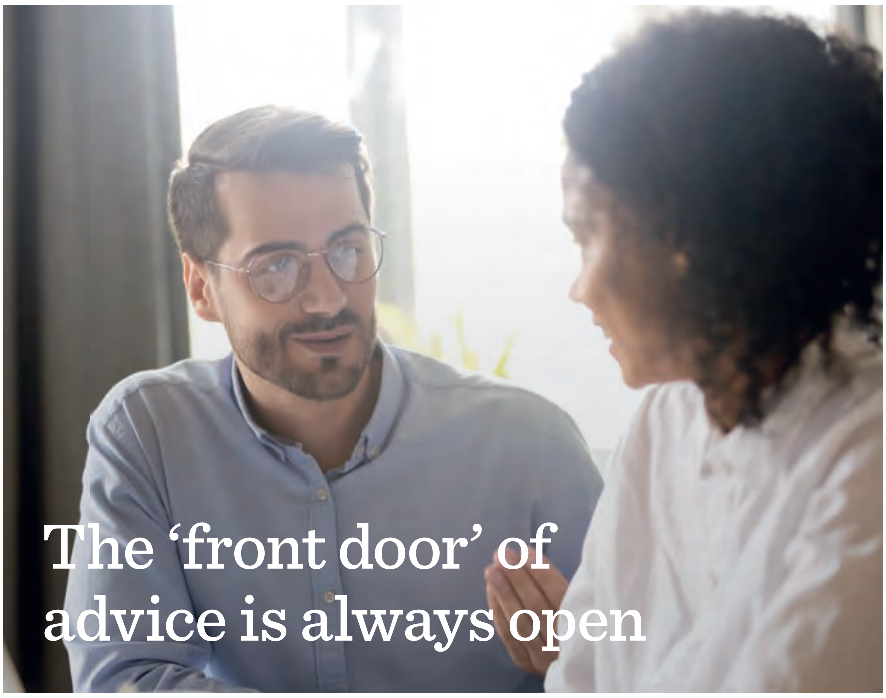
Shorter, snappier – more confusing?

From Weight Watchers to WW, from Lucky and GoldStar Co. Ltd. to LG, from Blue Ribbon Sports to Nike... many of us are unaware that some of our most recognisable brand names were once much longer. While short company names might be easy to remember, it's also fair to say that all these abbreviations can get confusing.

The world of financial jargon

In recent years, the finance industry has also seen an abundance of acronyms. For example, financial businesses like ours went from being regulated by the PIA, FSA and SFA before they evolved into their current incarnations: the FCA and the PRA.

Financial products such as ISA, SIPP, SSAS, OEIC, and ICVC have also made their appearance, while some financial institutions have taken a leaf out of Nike's book and shortened their names; in 2002, insurer Norwich Union was reborn as AVIVA. If you're having trouble cutting through the forest of jargon, don't worry. We'll explain everything in plain English.



The 'front door' of advice is always open

The benefits of taking financial advice have again been confirmed by research. The findings of a recent International Longevity Centre UK (ILC) study for insurer Royal London suggest that those who took advice around the turn of the century were on average over £47,000 better off a decade later, when compared with those who did not.

David Sinclair, Director at ILC commented, on the findings:

"The simple fact is that those who take advice are likely to be richer in retirement. But it is still the case that far too many people who take out investments and pensions do not use financial advice. And only a minority of the population has seen a financial adviser. We must now work together to get more people through the 'front door' of advice."

TAX YEAR END REMINDER

Use your allowances

Remember the 2019-20 tax year end is 5 April 2020

The clock is ticking. We can help you utilise your 2019-20 tax year allowances. Don't delay, get in touch today!

UK lags in terms of retirement security

How are your retirement plans coming along? Hopefully you're well on track to lead a financially comfortable retirement. A recent Global Retirement Index has highlighted that the UK trails behind a plethora of global counterparts in terms of retirement security[9].

The Index assembles data from a variety of sources to produce a comparable score across countries. The UK ranks at 17th place overall, out of the 44 nations featured. The UK recorded a low score in the 'assessment of finances in retirement' category, languishing 34th in the rankings. New Zealand, Norway, Iceland, Switzerland and Ireland dominated top spots in the overall rankings.

[9]Natixis, 2019

IMPORTANT INFORMATION: We have updated our Privacy Policy to better explain how we keep and use your information to profile groups based on factors like interests, age, location and more, so we can better understand our customers, to adapt and improve our products and services. To find out more, please read our Privacy Policy online.