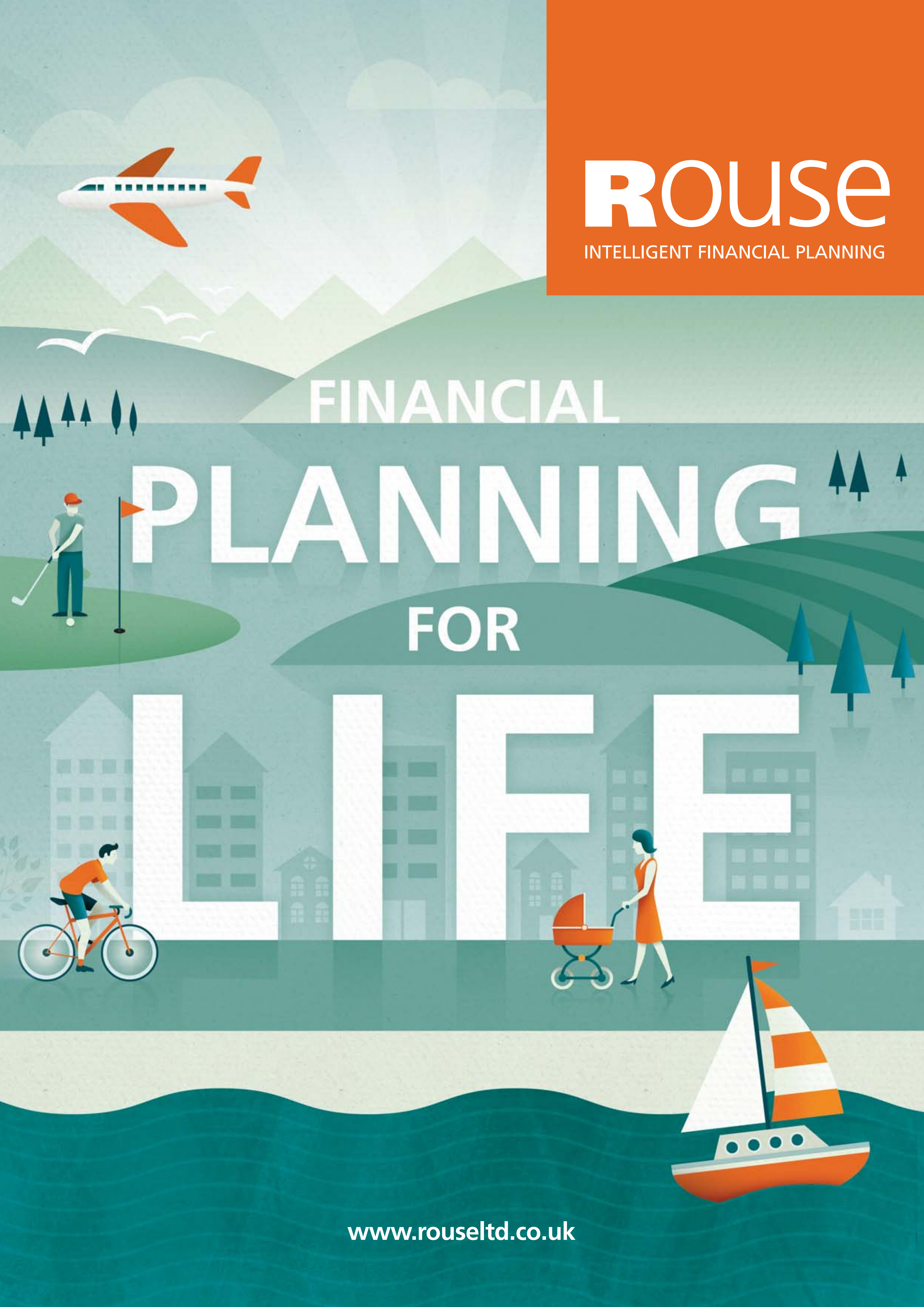
ROUSE

INTELLIGENT FINANCIAL PLANNING

FINANCIAL PLANNING FOR LIFE



www.rouseltd.co.uk

Who's who at Rouse?

Contacting a member of our admin team in the first instance will quicken the response time for your enquiry. You can be assured that the appropriate action will be taken immediately and your issue speedily resolved. For further details, call us on: **01983 535740** Email: **admin@rouseltd.co.uk** Visit: **www.rouseltd.co.uk**

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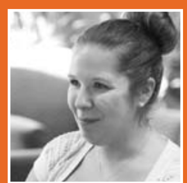

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Welcome to Rouse

Money makes the world go round and however much you might have it needs to be working as hard for you as possible all through your life.

We have always preferred to take a holistic and long-term view regarding financial planning. Whilst there will be occasions in your life when you need help with a particular issue, such as choosing a mortgage, in general financial decisions should be made with as wide a perspective as possible.

This is why we refer to lifetime financial planning. And here we hope to illustrate the thread running through all aspects of your financial life – how one decision might affect another and that what you decide today will impact on your finances decades from now.

We all make financial decisions every day, from choosing a utility supplier or where to put your savings to deciding where to buy apples or whether you really should eat out again this evening. Your priorities will change as you enter different phases of your life and the focus of your decision-making will shift but one thing remains constant: the need for a plan.

This is true wherever you sit on the financial scale and because your circumstances will be unique to you we are committed to ensuring the financial guidance we give is appropriate for you. Life's a journey – we're with you every step of the way.

Because we are committed to treating you fairly we have once again included a short customer satisfaction survey. It would be really helpful if you could spend a little time answering the questions and providing any additional comments. As an added incentive we will enter all completed surveys into a draw to win a case of wine. For a chance to be entered into the draw completed surveys must be received by us no later than 1st December 2017.

Contents

Your story
begins here

Whatever your life plan and whatever your income you need to be looking as far down the road as possible.

Lifetime cash flow forecasting

Driving instructors will advise those new behind the wheel not to focus on the rear end of the car in front. Whilst you need to keep an eye on that, you get a much clearer view if you lift your gaze to at least four cars ahead – giving you the time to take evasive action should an incident develop. It gives you a feeling of confidence and puts you in control.

Looking after you money is no different. You need to know where you're going and be aware of possible bumps in the road if you are to get to your destination safely.

Forward planning is the key to managing your money and lifetime cash flow forecasting is one of the ways we can help you to examine how your spending, savings, and investing will affect your plans for the future.

It can help you see how much you need to live on and, importantly, how to prepare for the ongoing costs of your lifestyle – as well as any unexpected expenses.

Number crunching

Using data supplied by you, together we can view a range of 'what if' scenarios, for example:

1. **What if I pay off my mortgage in 10 years' time using my ISA investments? How will this affect my future finances?**
2. **What if I use my inheritance to purchase a rental property when I retire? How will this affect my retirement income?**
3. **What if I take £40,000 from my savings to build an extension on the house in five years' time? Can I still afford to retire at 60?**

This enables us to see how hard your money has to work in order to achieve your financial objectives and whether the answer to 'how hard?' is 'too hard': if it is we can then discuss the options open to you.

By creating your own timeline and inputting real life events relevant to your own circumstance we can help you see just what can be achieved. It helps to bring money to life, visually, and this in turn helps manage expectations.

Who can benefit?

Anyone. If you want to take an honest look at your current wealth and see clearly how life decisions made now will affect your finances over any given timeframe, we can show you what cash flow modeling can do.

Many people are living longer. According to the Office for National Statistics (ONS) 'on average, people aged 55 today will live to their mid-to-late 80s.' And that 'around 1 in 10 men and 1 in 5 women will live to 100.' Living longer should mean enjoying a longer retirement but these years need financing and many of us aren't putting enough aside.

By planning for your future you could allow for this – and avoid having to work longer than you intended.

Historically cash flow forecasting has been used by businesses to analyse income and expenditure over a set period of time. Allowing for a variety of 'what if' scenarios forecasting allows a business owner to see any patterns of growth or expenditure and make any appropriate adjustments to business activity.

Well, it's no different if you're an individual. Carrying out such an exercise is essential to keep control of your financial future and the software we use allows your Financial Planner to show you how your circumstances could pan out.

Your flexible friend

We can include bonuses from employment, or dividends for business owners. There's a family balance sheet (effectively a net worth statement but divided by individual and shared assets) and other useful details like modifications to the method of calculation, which allow us to come up with more accurate projections.

There is also a potential IHT simulation, which allows us to show your potential IHT liability in every year of the plan. And plan calculations can be stopped at any event either before or after the age of mortality.

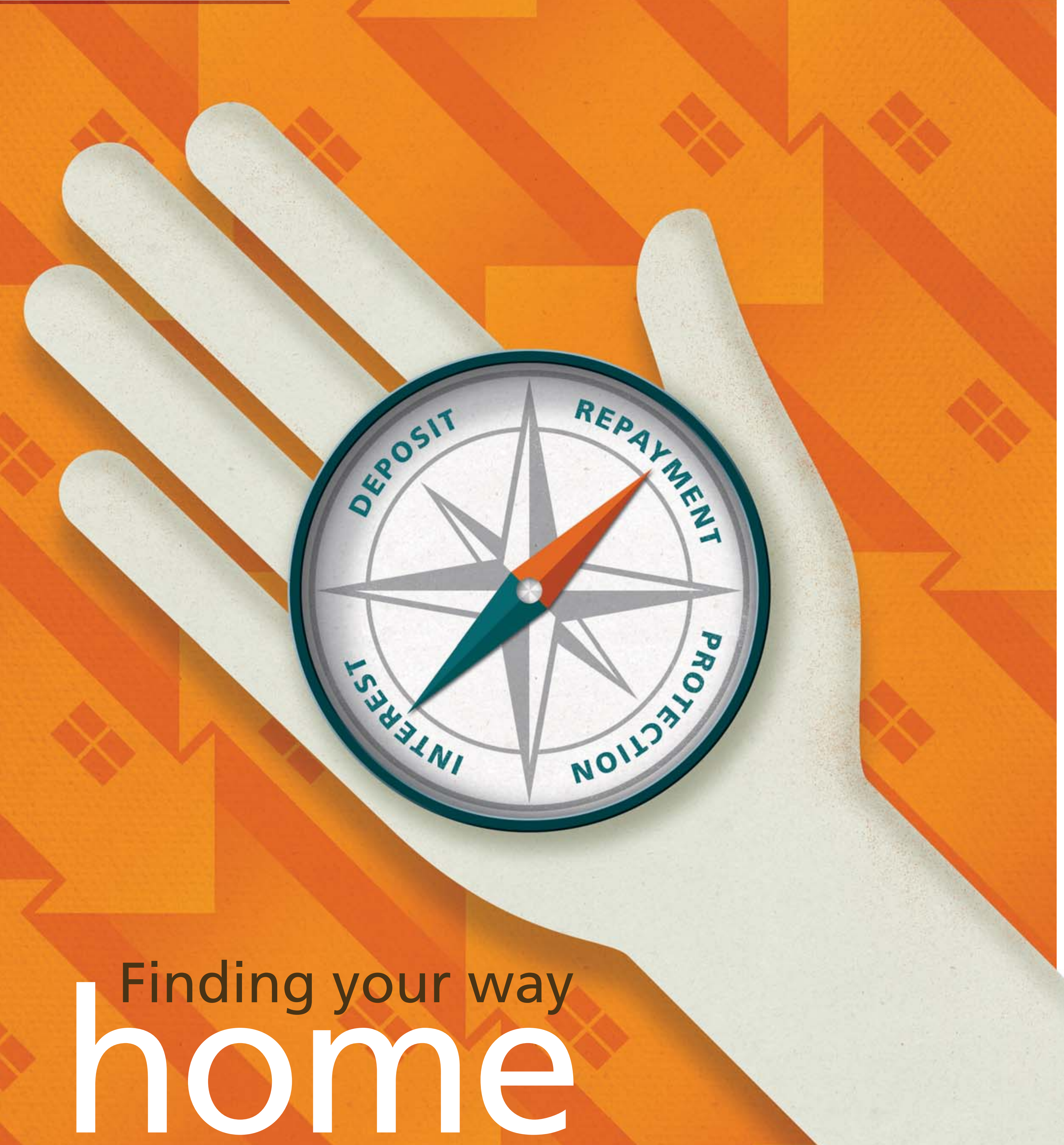
Among many other facilities, there is easy entry of non-legal partners, as marital status can be specified at entry and easily changed within any plan. In addition, you can also consider any protection to your pension lifetime allowance. This is useful when considering lifetime allowance projections and the potential tax bills associated with larger pension pots.

The software also automatically records potentially exempt transfers (PETs) and chargeable lifetime transfers (CLTs) for transfers into trusts.

We update the system regularly to ensure that any calculations made are based on the most up-to-date information available.

Wherever you sit on the financial scale, planning helps. Let us take the 'ifs and ands' out of your financial equation and help you to a brighter financial future.

If you would like to know more about Lifetime Cashflow Forecasting, please contact us on 01983 535740.



Finding your way home

Whether you already own your own home or it's still a milestone to be reached in the bright future you have planned for yourself, you need to consider ongoing costs and changing circumstances.

Mortgages

If you're a first time buyer, how you reach the point of homeownership very much depends on your current stage in life and the chances of it changing (preferably for the better) - we have to acknowledge the ruts along life's road too.

If you already own your home there are different considerations in terms of planning your finances: can you keep up repayments? What if you lose your job? What happens if your offspring need help getting on the property ladder?

Preparing the ground

The main issue facing first time buyers is one of affordability. Many people find it difficult to save for a deposit, and if there is only one salary to consider, lenders are naturally cautious.

But there are steps you can take to smooth the process: try to reduce any debt you may have; look at any savings initiatives such as the Help to Buy: ISA or Lifetime: ISA to help you save for a deposit. Not everyone has the option of turning to the Bank of Mum and Dad but if you can, and they are able, there are a number of ways you can harness their financial power:

- **Help with a deposit**
- **As a guarantor**
- **Using a specific family-type mortgage**

The affordability checks that lenders are now required to carry out also mean that it's wise to look at your spending in advance of any mortgage application – when you do this, be brutal. Anything you can cut down on, however small it might seem, will help to increase the income you have available to put towards mortgage payments.

If you're an existing homeowner looking to move, it's likely that the process has changed since you last applied and you will be subject to the same scrutiny as a new buyer. It sounds obvious but be realistic in what you're looking to achieve – if you can't afford the repayments or are stretching yourself to breaking point to meet them, even if the lender agrees to the mortgage, it might be better to step away. Fortunes fluctuate and we can never be absolutely sure we won't get ill or have an accident, so avoid over-stretching yourself.

Protecting your asset

Once you've secured your mortgage and the home of your dreams, don't risk losing it by not having appropriate protection for your income.

Start by thinking what would happen if you were to fall ill or die, have an accident or lose your job. What income can you rely on to cover your living costs and specifically, your mortgage? Don't add to your worries or those of your dependants by leaving them potentially without a home. Take qualified advice as to how much and what type of cover you need as this will depend on your individual circumstances.

Even if you're single with no dependants it's still important to look at protecting your income as your home could be at risk if, through no fault of your own, you are unable to meet the monthly payments; we would recommend you consider income protection insurance cover.

Being part of a couple makes it even more important to look at life insurance and critical illness cover in order to protect your asset. You need to consider what will happen to the property on death, or divorce, if you fall ill or have an accident, if either partner stopped work for any reason, or you plan to have children: will your spouse still have a home?

Reaping the reward: we have the power

With many people struggling to find their way on to the property ladder increasing numbers are turning to their parents or grandparents for a leg up.

Older homeowners had the luxury of a freer mortgage market and cheaper homes, job security and decent pensions – not to mention a rocket-fuelled housing market.

All these factors lead to the healthy growth of equity in the family home. And there are ways your home can give up its golden harvest.

Unofficially one of the UK's top ten mortgage lenders, the Bank of Mum and Dad isn't only helping out by gifting deposits. Whilst some might sell and downsize or remortgage to release equity in order to do this, or take out an equity release product such as a lifetime mortgage or home reversion plan (if you don't want to sell), there are other ways that you can help:

- **Being a guarantor of a mortgage**
  ie the liability for the mortgage lies with someone else, usually a parent. Lenders have a variety of criteria to be met, which can include acceptable job types, age and lending term limits.
- **A joint mortgage**
  ie you buy a property with your child. Lending criteria include affordability checks, credit scores etc as well as number of applicants, which can be restricted to just two.
- **Joint borrower, sole proprietor**.
  This is a newer, less common option that allows two people to be party to a mortgage (parent and child) but only one (the child) to be the beneficial owner. There are benefits to both parties – for the parent an obvious one is that the new transaction does not attract the Stamp Duty Surcharge as the title of the property is in the sole name of the child. And for the child, they have the benefit of sole ownership whilst having their parent's income to satisfy affordability checks.

From choosing the right mortgage to finding appropriate protection, the route to homeownership can be a confusing and daunting experience. Depending on your stage in life the process of applying for, and getting, a mortgage will vary but we can help guide you every step of the way.

If you'd like further advice on mortgages and protection contact Phil Moore or Sara Reed on 01983 535740.

Our initial consultation is always free. If you decide to proceed with us for mortgage advice, Rouse charges a typical fee of £400. The precise amount will depend on your circumstances.

Planning for your future

Funding your golden years

The clock is always ticking and time can pass in the blink of an eye. But however far you are from retirement age, you're never too far from it being an appropriate time to plan for those later 'golden' years.

Retirement is one of the biggest changes we will experience and can be one of life's positive milestones – this makes it even more important to keep on top of your financial planning and the earlier you start planning your retirement, the better. Despite the rising retirement age, we won't all be able to work forever.

Much as the opportunity to retire can be an attractive one, it also requires making decisions that will have a huge effect on the so-called golden years.

One of the first things to decide when planning your retirement is when you actually want to retire – you need to know where the finishing post is before you start the race. This will help you see how long you have to save, which in turn will indicate how much you need to save to achieve the retirement you'd like.

So you need also to consider your future lifestyle and where you might be living. You need to think about what your costs might be in retirement and consider both your living costs and how much extra you might like to spend on yourself: hobbies, travel or other rewards.

What's in the pot?

This is a good time to get an estimate of how much you might have saved. Look at all your pension savings and remember to include both personal and workplace pensions, including final salary schemes. And don't forget to get a state pension statement (available at the gov.uk website). Take a look at all your savings and investments as well – do any of these need to work in a more tax efficient way for you to maximise their potential? You need to know as accurately as possible what you might have to live on.

Consider too the implications of Brexit on your retirement income. The Pension and Lifetime Savings Association (PLSA) says: 'UK pensions law is extensively intertwined with EU law, regulations and court rulings and there is little to gain from dismantling this. UK workplace pension schemes tend to act on a national basis but want access to investment opportunities and service providers in the EU. But generally they aren't looking to provide pensions to workers in other member states.' Your private pension provider will also be looking at the potential change in investment opportunities, which could impact on your fund's earnings.

Options

Pension freedoms now mean you can have access to your funds at an earlier age (with associated tax liabilities) but what remains true is that your pension doesn't automatically provide you with an income.

Although the option is there to take the money and run, in reality this has been a double-edged sword and for many has created more confusion and indecision. Buying an annuity might still be the most appropriate route – and remember you're not obliged to buy from the provider you saved with.

Diversify

If you're currently working, and if you can afford it, it's a good idea to put money aside in another savings account such as an ISA. Even if you have other pension savings, an ISA is a tax efficient savings vehicle that has the added benefit of compound interest to boost your fund.

Most people will also be enrolled on their employers pension scheme through the auto-enrolment initiative but it's still worth considering a private pension as well, if you don't already have one, particularly if you have some years to go before retirement. A simple stakeholder pension can be a good option as they can be opened by anyone in the UK and allow flexible contributions, which can be useful if you're not sure how much you can put aside each month.

Take advice

Life coaches will tell you that the way to have a successful retirement is to have a plan. They're thinking about what you might do with your time and ask you to consider what you might realistically expect to achieve whilst remaining happy. We will also tell you that you need a plan – because you need money to be able to live.

As you get closer to retirement it's worth considering taking advice from a Chartered Financial Planner or Certified Financial Planner™ professional, preferably one with specific experience for later years and pension planning – the decisions you make at this stage could affect your standard of living for the rest of your life.

If you would like to discuss your retirement plans with us, please contact us on 01983 535740.

Retirement checklist

How shiny your years are though depends entirely on how much planning has gone into ensuring you have enough to live on. As well as the retirement age increasing, we're also living longer - and we won't be able to work forever.

To help you, we have created a checklist of the elements you will need to consider.

1. **Date plan**
   When do you want to retire? Consider the rising retirement age, new pension freedoms, and how much you can save over the time period.
2. **Evaluate the here and now**
   How much time do you have before you plan to retire? Look at your current income and financial commitments and consider how you will continue to fund your life as time goes on: you might need to get used to a different pattern of income as well as a different amount.
3. **How much might you have?**
   Get an estimate of how much you might have saved for your retirement. Look at all your pension savings (both workplace and personal, including any final salary schemes) and get a state pension statement from the gov.uk website too.
4. **Know your options**
   Pension freedoms can be a double-edged sword, creating more confusion and indecision. Before you access your pension savings we would suggest that you take advice from a qualified Financial Planner.
5. **Where do you want to be?**
   Where do you plan to live and will your home play a part in shaping your future?
6. **Your future lifestyle**
   Work out what your costs might be in retirement and consider your living costs as well as how much extra you might like to spend on yourself.
7. **Update your Will**
   Or make one if you don't already have one. Lives change as we age and it's important to keep your Will up to date so it reflects your current life.

Planting the seeds for their future

Financial support, for our dependants and ourselves, as we age is a concern for most people - and planning for your retirement should begin as early as possible. Whether it's helping a child on the property ladder, paying for home improvements or even a cruise, you need to know the money will be there. But it's necessary to think beyond the grave as well in terms of inheritance tax and legacy – changing family dynamics mean it's even more important to make sure your money goes to the people you intend.

Your legacy

You can't take it with you

Making a Will should be a priority, particularly if you have children. It's important that your assets are passed on appropriately to avoid extra heartache.

A Will ensures your money and possessions will be distributed according to your wishes. If you're married or in a civil partnership and neither of you has a Will, you could be leaving your partner and any children exposed to a potential inheritance tax (IHT) liability, depending on the size of your estate.

You have the power

As we get older we tend to be thinking about our deterioration and the implications in terms of catering for future health and care. A lasting Power of Attorney (for Finance) is a vehicle for arranging a trusted individual to act on your behalf should you be unable to do so. You can also consider a Lasting Power of Attorney for Health and Welfare. This allows those chosen by you to make sure you get the best possible care. It can also act as a Living Will and allow those appointed to decide whether life-sustaining treatment should (or shouldn't) be continued.

If it is on your mind that you might need living assistance as you get older, but are concerned about how to fund this should the need arise, it's worth considering a lifetime trust within your Will. This could help protect your assets from being used to fund care fees, whilst allowing your spouse to continue living in your home. Trust planning is complex though and you should always seek professional advice before making any amendments to your Will.

In this world nothing can be said to be certain, except death and taxes.

Benjamin Franklin

Death and taxes

These two certainties in life come together in one glorious union in IHT. Often dubbed the most hated tax in the UK, IHT can potentially cost your loved ones an enormous amount of money but if planned for correctly and the property allowance is factored in, many people could see their liability significantly reduced.

No tax is payable on the first £325,000 (per person) of someone's estate, so couples can leave £650,000 without attracting IHT. Above this 40% tax is payable. But there is also an additional 'main residence' allowance, valid only on the main residence of the deceased and where the recipient is a direct descendant, meaning children, grandchildren and stepchildren. It's gradually being phased in starting at £100,000 meaning that the maximum passed on by married couples or those in a civil partnership, is £850,000. It will gradually rise until in 2020, the maximum being passed on by couples without IHT liability is £1 million. The main residence allowance isn't applicable to properties worth over £2 million – in fact they will see this allowance start to taper off.

There's life in the old dog

Our retirement years are changing – but we still need to know we have enough to live on and possibly still be supporting our dependants. Not only are we living longer but our lives have a different pattern and the new reality is that we're more likely to get married and have a family in later life, get divorced in our fifties and sixties and, with the increasing retirement age, many will be working for longer. Add in pension freedoms and the possibility of retiring at 55 years – and there are potentially decades more retirement years to pay for.

Many people in their fifties still have children at school or heading for university but chances are you'll also be asked for help with buying a house. Getting on the property ladder for the first time is harder than ever and parents and grandparents are stepping in to help. But what are the options and implications?

The obvious way to help is to provide a gift or loan for all or part of the deposit. This can be funded by cash you already have or perhaps by remortgaging your home with an equity release scheme, such as a lifetime mortgage, or home reversion scheme, if you're 55 or over.

A lifetime mortgage allows you to borrow money secured against your home. You can choose to pay all or part of the interest each month, or pay no interest until the end of the term (rolled up). With a roll up mortgage the amount of the debt increases over time and the total amount, including compounded interest, must be repaid on the death of the borrower (or remaining partner if the mortgage is in joint names), or if you move in to long term care. Most lenders have added flexible features including ad hoc voluntary overpayments (typically up to 10 per cent of the mortgage amount per year), a cash reserve drawdown facility, and a guaranteed inheritance protection facility.

A home reversion plan allows you to release capital by selling all or a part share of your property to a provider who then grants a lifetime tenancy allowing you to remain living in your home until your death (or for a couple the death of a remaining partner) or a move into long-term care.

Other options, all of which allow your child to borrow a higher amount, include: guarantor mortgages, where you would be liable for any missed payments; joint mortgages, for which the lender will consider your existing commitments and you could face a capital gains tax bill if the property's value has increased when you sell; or family 'benefit' mortgages, essentially savings accounts with the lender, but the money must remain untouched for a set period, typically three years. Some lenders also offer a 'joint mortgage, sole proprietor' product. This means you can buy a property with your child, but although you are responsible for the mortgage, you are not a named owner of the property. This route allows your child to benefit from the added power of your income and because you are not a named owner you are not liable for the additional stamp duty (normally applicable on second homes).

If you would like to know more about any of these points, please contact us on 01983 535740.

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