ROUSE

INTELLIGENT FINANCIAL PLANNING

Take control of your financial housekeeping

www.rouseltd.co.uk

Rouse in a nutshell

We are Independent Financial Planners. This means our advice is based on a whole-of-market assessment. For non-investment insurance, Equity Release and other mortgage products, we offer products from a range of providers on the basis of a fair and comprehensive analysis of the market.

Knowledge and support

We have a highly qualified and experienced team and specialise in financial planning for life. With research from our paraplanning team, our cash flow forecasting facility, and with macroeconomic observations from our Investment Committee, we are able to keep your plans on track and within your capacity for risk.

We also consider ourselves a hub for professional advisers as we work with closely with accountants and solicitors and other financial services companies who share our core values and approach to clients' well-being. We consider ourselves a one-stop shop for all your financial services needs so as to provide a seamless and valuable service.

Some of our services are highlighted in this newsletter and whether you approach us about a particular issue regarding your financial arrangements, or whether you're looking for end-to-end financial services to support you, we can help.

From investments, savings and pensions, tax and trust planning, to Equity Release, mortgage and protection advice, we're here to take your worries away.

For more details please visit rouseltd.co.uk or call us on 01983 535740

Spotlight on the team

"At Rouse Limited, we think it's important to understand our clients, and for our clients to understand us."

Ben Silk – Director
CFP™ Chartered MCSI DipPFS
CERTIFIED FINANCIAL PLANNER™
Chartered Wealth Manager™

It's always good to know a little more about the people looking after your money. Here we shine the spotlight on Ben Silk, chair of our Investment Committee and a long-standing Rouse team member.

As chair of our Investment Committee Ben oversees all investment decisions and recommendations made to clients.

His journey to Rouse Limited was initiated by his keen sense of fairness and fierce determination to ensure that financial services customers are treated fairly and honestly. Ben's morals and ethics were shaped by having previously worked for one of the High Street banks, calculating compensation for customers who had been mis-sold banking products. Although he gained specialist pensions knowledge, the role also highlighted to him how consumers had been poorly treated in the past.

Having rejected job opportunities with businesses that didn't measure up to his own work principles, Ben found his match in Rouse Limited. He and the team continue to hold those high standards of honesty, integrity and fairness.

In his spare time he enjoys sports – although mostly this is now limited to clocking up the miles on his bike or nurturing his sons' sporting skills. He believes a sporting background has helped him develop a number of useful transferable skills for financial services, with determination and analysis being key.

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Welcome to Rouse

Time is a gift and now is always a good time to consider where you are in life and where you want to get to. Whether we like it or not money makes the world go round but however much you might have, it needs to work hard for you throughout your life. So keep up with your financial housekeeping to ensure you stay on track.

When we talk about financial planning for life we're referring to the duration of your life as well as the manner in which you want to live it.

There are standard milestones in most people's lives: buying or renting a home, a relationship, perhaps children and all the additional financial pressure their lives bring. But the route to your goal will be unique to you. Planning is crucial to achieving any goal and in terms of your finances it's important not to focus so much on later life quality that you end up ruining the here and now. The key to success is balance and control.

Your priorities will change as you enter different phases of your life and the focus of your decision-making will shift but the need for a plan will remain. Our holistic approach to financial planning is intended to help you identify the route that's appropriate for you to achieve your financial aim and not lose out along the way.

Wherever your road is taking you, or whatever milestone event you might be approaching, we are committed to ensuring the financial guidance we provide is appropriate for you. We're with you every step of the way.

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Financial life Laundry

Time to clean up your act

'The most important investment you can make is in yourself'

Warren Buffet

Warren Buffet was talking about education, but it can equally be applied to our financial lives. Ensuring that your house is in order benefits you while you're still alive, and your dependants and beneficiaries when you die. The time taken to do this will always be an investment in your future.

Today

The first step in any kind of clean up is to assess the situation. It's important to have an understanding of what you've actually got: cash balances, pensions, investments, that sort of thing. The natural partner to that process is of course knowing your financial commitments: your day-to-day spending as well as all your financial liabilities such as your mortgage, rent or credit card bills. Knowing what's coming in and going out is the base line as it gives you the starting point for a plan to take control.

Tomorrow

Financial planning for life refers not only to the length of your life and ensuring your money lasts throughout but it's also about how you want to live that life now – you don't want to be always looking at tomorrow, or for that rainy day.

This is where your Financial Planner can help with Cash Flow Forecasting. We don't know when we're going to die so our Cash Flow Forecasting software assumes a long life and we can test your money along the way. For example, if you're considering a big spend on something now it will be able to tell you whether that will have an adverse effect on your money as you age. It's not a crystal ball but it can give you parameters to work within that will keep your money on track.

We also tend to forget that we might not always be as well or as mobile as we are now. Arranging Lasting Powers of Attorney while you're still healthy and of sound mind is as important as arranging your Will.

This is an important part of financial housekeeping. Arranging for a trusted individual to act on your behalf should you be unable to do so for yourself makes perfect sense. A Lasting Power of Attorney for Health and Welfare allows another person to take instructions and help with decisions about your health should you be too unwell to make them yourself. Granting Powers of Attorney for your financial affairs covers times when you might be temporarily unable to act for yourself but still need bills to be paid or other financial transactions to be carried out. There are safeguards for your money as the person with Power of Attorney over your financial affairs is not allowed to make gifts or payments to themselves.

Without these devices in place, decisions would need to go through the Court of Protection, which would make the process much longer.

Beyond

Financial housekeeping wouldn't be complete without a call to action regarding Wills.

If you already have a Will, how effective is it? It's important to review the contents regularly so that it reflects your current status and wishes. Is it up to date and efficient for saving and wealth protection?

If you haven't written a Will, this is one of the most important things you should do - even if you're young and single. Since we're all going to die it makes sense to plan for the inevitable.

This isn't being morbid – it's about making financial arrangements to lessen the impact on those left behind. Sorting things out when there's no Will can take years – giving your dependants a financial nightmare on top of their grief. It's worth noting that even if you've been cohabiting for some time, if you're not married or in a civil partnership and your partner dies without a Will, you have no right to inherit under current intestacy rules.

Claudia Roberts (Partner at solicitors Glanvilles Damant Limited) says: 'If you are not married you have no automatic right. You can - as you always could - try and bring a claim against the estate as a cohabitee, provided you have lived with the deceased like a married couple in the last two years pre death. However, the claim is limited to reasonable financial provision to the extent that the person was maintained by the deceased pre death. This is much more limited than a claim a spouse would have if he or she were being disinherited.'

Some are put off by the cost of writing a Will but this is a false economy - the impact of not having a Will could be far greater than the cost of setting one up.

Because financial planning is fundamental to the Will-writing process, we can advise on appropriate routes to take so that your arrangements are as financially efficient as possible but you should use a solicitor to draw it up.

It pays to talk!

The number one thing you can do right now is to be open and honest in your financial communication with your partner, family or dependants.

Quite often it can be one partner who is responsible for the finances. However, if that partner dies it can leave the remaining partner in a tricky situation: access to accounts might be blocked leaving bills unpaid, and pensions are frozen on death.

Also, check every year that you are using your ISA allowance and that you're efficient with your pension planning.

Regular checks on your financial arrangements will leave your life fiscally refreshed and ensure that your money is managed so that you are prepared for the unexpected – and you'll leave a tidy estate for your dependants.

If you would like to know more, please contact us on 01983 535740.

Pocket money, maintenance at university, their first house. Children are expensive but there are ways you can alleviate some of the financial pressure so that it works better for you – and it doesn't involve sending them up the chimneys.

The gift of time

Youth, it has been said (paraphrasing George Bernard Shaw), is wasted on the young. Perhaps he needed a better Financial Planner because while our children can get up to all sorts that we, as sage adults, would ill advise, it is possible to use their youth to monetise time.

Parents know that children put finances under intense pressure. However, a little planning can alleviate much of this.

Think sooner rather than later when it comes to savings in general but when it comes to saving for children it really will make a material difference to the way their money grows over time. If you start from birth, even relatively small amounts paid into a savings account will add up to a significant sum.

There are many options when it comes to saving for children, from a standard savings account to a Junior ISA (JISA) or a pension fund.

Choosing which route to go depends on what you want to happen to the money. Savings accounts come in all shapes and sizes and the interest rate quite often reflects the flexibility of the account. Generally speaking if you're prepared to lock your money away then the rate will be better.

With a JISA, the money is locked away until the child turns 18. Even though they can take responsibility for the account when they turn 16, they can't access any of the money.

There is also the choice to be made between a cash ISA and a stocks and shares ISA. Many parents are reluctant to take risks with their child's money and as such cash ISAs have proved more popular, despite the fact that stocks tend to outperform cash. When investing for children you're usually in it for the long term so it may make sense to go with stocks – but advice should always be sought.

Pension savings are locked away for much longer. But with children born today unlikely to enjoy the same level of retirement funding as those retiring now, being more self-reliant is going to prove crucial in maintaining their financial security.

Pension savings also benefit from tax relief, so their savings get a little boost from the government. A pension is one of the most straightforward options: they can be opened by anyone for any UK resident under 75 years. Charges are capped and there's flexibility in the amount and frequency of contributions.

The benefits aren't only to the children either. If you're a grandparent in the happy position of having excess income (not capital), contributions to a grandchild's pension will take money out of your estate without affecting your annual gifts.

Whether in a standard savings account, JISA or pension fund, the savings will also benefit from the magic of compound interest (which is when you earn interest on your interest).

Dark side of the moon

Communication can be difficult with older children, but somehow they can always find the words 'can I have some money?' You've probably drummed into them the importance of budgeting and limiting their use of debt but new challenges arise when they go to college. Most will take advantage of a maintenance loan, which is generally sufficient to cover accommodation costs, leaving a little over for living expenses (and needs to be paid back in the same way as the tuition fees loan).

However, there is generally a shortfall in what is needed to live, so the new student has the option of getting a job, or coming to the Bank of Mum and Dad – a popular option.

However, you can plan for this outcome. Money put aside from birth in an ISA, for example, would have built up a tidy sum that can be used to help cover student expenses. Even if you start saving when they enter 6th Form there will be a cushion saved for emergencies.

If for any reason your child ends up not going to university then the lump sum is there for them to use towards a deposit for their first home, or to continue to build on.

Moving on

Property deposits are high on the list of unachievable goals for many young people.

Some parents gift the deposit to their offspring but if gifting isn't an option, saving early is key.

A Lifetime ISA (LISA) is open to 18-40 year olds. It offers a government bonus of 25% on contributions (max £1000, payable at the end of each tax year, until you are 50) and you can save up to £4000 per year. It will be possible to access funds without penalty before age 60 if the money is to be used to buy a first home. Touch the money for anything else and a hefty 5% charge on your pot is payable – and you lose your bonus. Once you are 60 though you can take the cash and bonus tax free – or just keep saving, as there is no upper limit. However, saving in LISA will reduce the amount that can be paid into other ISAs.

Help to Buy: ISA closed to new savers on 30th November 2019. However, those with existing accounts can continue to invest but you must claim your government bonus by 1st December 2030.

We all want to be there to support our children – start building the framework to help them as early as possible.

Nurturing the pension pot

Planning for your retirement is important and a key part of that process is making sure your pension savings are working as hard as they can. That's stage one. But the work doesn't stop when you retire. Those hard-earned funds need to keep working for you so that they last throughout your retirement years. Stage two is planning how to sustainably withdraw an income from that pot.

What's in the pot?

Once you've decided when you want to retire you need to look at what you have already saved and what you might need to do to reduce the shortfall between your dream retirement and the amount you actually have in your pot.

The reality of working life for many people is very different from that enjoyed by previous generations. A job for life is a rarity now and changing careers every decade, or reinventing yourself, is not unusual – just the price of survival in today's working world. But while we might reinvent ourselves in terms of what we do, our previous incarnations are likely to be tracked by workplace pensions. A good starting point to find old pensions is the Pension Tracing Service at the Money Advice Service (**moneyadviceservice.org.uk**). This site can help you get a state pension statement, as well as trace old workplace and personal pensions. If you do have a few, it's a good idea to transfer them into one pot as it makes looking after them that much easier.

Remember also to take a look at all your other savings and investments too. Can they work in a more tax efficient way so you can maximise their potential? It's a good idea to use different savings vehicles, such as ISAs, when building up your pot – as with so much in life, diversity is key to survival. It makes sense not to put all your savings in one pot.

Adjust the focus

If you're saving for a pension you will receive annual updates from your provider giving you an illustration of what your pot is worth at your chosen retirement age. Your illustration should show you:

- The current value of your pot.
- What you might get when you retire, adjusted for inflation. It will also show the date you have chosen to retire.
- It should also show how your pension is invested.
- It might also detail any special features such as any 'with profits' guarantee, and a 'transfer value' should you decide to move your savings.
- It should also show you the charges for managing your fund. These are the actual costs of running your fund based on the current figures, not the projections.
- New transparency rules mean that the cost of administering a fund are shown in detail. This can have the effect of making it look like your costs have increased but this isn't the case – the costs were always included, just not shown separately. That said, it is important to remember that charges do change, depending on the content or value of your pot.

Remember though it is only an illustration of what you might receive at your chosen date of retirement. This is because the projected value relies on certain standard assumptions about your circumstances. These are dictated by the Financial Conduct Authority, such as a growth rate of 5% and, more recently, adjusting for inflation at 2.5%. But both these figures could still be over-optimistic. However, they are still a reasonable guide and should encourage you to look at least once a year at how your retirement savings are performing – if only to prompt the question: will I actually have enough to live on in retirement? If you have any queries about the figures you should speak to your Financial Planner.

Inertia is not an option

Once upon a time there was little need for engagement with pensions, which were mostly generous and automatically taken as annuities that would provide a retirement income.

Buying an annuity might still be the most appropriate route but remember you're not obliged to buy from the provider you saved with. Remember also that your health could mean you're eligible for enhanced annuity rates. Suffering from a medical condition could mean you're able to significantly increase the basic annuity offered by a provider.

There are now many more options available in how you draw a retirement income from your savings and having a combination of an annuity and an income drawdown facility is one of them. When you start to draw an income from your retirement fund your priorities will change from simply building up a pot of money to preserving that money and drawing an income from it.

Pension freedoms have undoubtedly proved popular - more than £30bn has been taken since they were introduced – and offer both risk and opportunity. But as Andrew Tully, technical director at Canada Life points out, large amounts of cash leaving the pension system also 'potentially leaves very little for people to live on by way of a regular income. People are not sticking to the rules because there are no rules.'

Many people are still not taking advice before withdrawing money from their pension savings and underestimating how long they will live.

Action and qualified advice is vital if you're to avoid triggering large tax bills, or worse: running out of money.

If you would like to know more about retirement planning and pensions, please contact us on 01983 535740.

You can't take it with you

Make a clean exit

Take the right steps to ensure your loved ones aren't left with an uphill struggle when you die.

Death happens and denial won't change that. Far better to ensure that your financial house is tidy rather than leave a mess for your grieving family and friends to sort out. Changing family dynamics means it's even more important to ensure your money is arranged so that it goes to the people for whom it's intended.

Many people shy away from talking about when they might die - as if the mere talk of it will make it happen. It's not morbid to talk about the practical aspects of death and legacy. It's better to have those left behind remembering you as a (very organised) person rather than cursing you for leaving them to clear up your mess. Not to mention that a messy estate will very quickly shrink when tax and legal advice is needed. The only winners in this situation will be the government and solicitors.

Organise

Make sure all your everyday information such as details for your bank accounts, utilities and pension providers, where you store your tv licence etc are all in one place – and that at least one other trusted person knows its location. It's a good idea to create a financial fact sheet to help your next of kin know which organisations they should contact – but having a Financial Planner helps with this because, at very least, all your financial details will be with them.

In addition, note down how you'd like to be cared for should you be unable to make your requests known at the crucial time. Also plan your funeral – having your wishes on paper will help those organising your send off.

Make or update your Will

Making a Will is one of the most important preparations we can carry out. It's particularly important if you are married, in a civil partnership, have children, or assets such as property or large amounts of money or shares. Family dynamics change and keeping your Will up to date will ensure that significant assets end up in the right place. Having a Will also ensures your partner and any children are provided for if you aren't married or in a civil partnership as your partner won't automatically inherit everything.

A Will can make sure your dependants are looked after if they are under 18 years. Discuss with your family who will look after your children or anyone else who depends on you, after you're gone. This is a big commitment for someone to make so you need to be sure they know the implications of what they're agreeing to before they get named on a legal document.

The 'optional' tax

Inheritance Tax (IHT), often dubbed the UK's most hated tax, has also been described as optional. IHT can potentially cost your loved ones an enormous amount of money but if planned for correctly, and the property allowance factored in, many people could see their liability significantly reduced.

There are plenty of legal ways to do this, the key is planning early. Gifting, leaving cash to charity – can all be used to reduce your potential tax liability. However, the rules are myriad and complex – advice from a qualified tax adviser and Financial Planner is crucial to avoid your dependants being hit with a large bill.

When you need help

Sometimes thinking about a scenario in which we're still alive but incapable of making decisions for ourselves is worse than dying. But it is just as important to arrange what would happen should you become incapacitated through Alzheimer's, dementia, stroke, or an accident.

Arranging Lasting Powers of Attorney for Health and Welfare, and for your financial affairs, needs to be done while you're in good health. Doing it after your health has deteriorated could lead to financial and legal complications.

Remember to live in the moment – you can't take it with you.

Planning well as early as possible will help you see how much you have to live on and what you can arrange efficiently so that your children benefit when you die. There is little point in making your twilight years a misery in an attempt to leave them more. Taking qualified advice now, and perhaps using a Cash Flow Forecasting facility, will enable you to arrange for your children and other beneficiaries to be looked after in the manner you intend.

But do it now!

If you would like to know more about legacy planning please contact us on 01983 535740.

FINANCIAL PLANNING For LIFE

It's your life – plan to enjoy it

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