

# FINANCIAL VIEWPOINT

CARL SUMMERS FINANCIAL SERVICES

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# Covering the cost of your retirement with confidence

As you approach retirement, it's important to be aware of the cost of living and how much income you'll need to feel financially secure.

With the cost of living going up, people approaching retirement are finding their pension pots are not lining up with how much they'll need in their later years.

An online pension calculator can help start you off by giving you an idea of how much you'll need to live comfortably. Your adviser is ideally placed to help you look at your own situation, finances and future income needs and work out a suitable plan to help you get to these goals.

## Examine your assets with the help from an adviser

Everyone's situation is different, depending on how much you have in assets, savings, and investments. However, there are some key issues to bear in mind to help things along, including the issue of rising inflation, which increases the cost of living as years go by.

Volatility in financial markets also adds to the concerns for anyone approaching retirement when it comes to how their pensions are performing. With expert guidance from your financial adviser, you'll be able to make the most of your money for many years to come.

## How to boost your pension and make more of your money

Of course, the earlier you start putting money away, the more time you'll have on your side to grow your pension pot. But it can be hard when you're still juggling mortgage debt, family outgoings and the general cost of day-to-day living. Even if you've opted out of your workplace pension or are self-employed and don't have one, it's never too late to start your own personal pension.

We can take you through how a personal pension can benefit you and give you more control and flexibility around how much you put in, where your money is invested and how you can access it in retirement.

Keeping track of workplace pension plans (if you do have them) and thinking about consolidating them into one pot might be a good place to start planning towards the goal of making your retirement as financially worry-free as possible. It's a complex area, which your adviser can handle for you.

It's also worth remembering that if you defer or delay your State Pension, it will go up by 1% every nine weeks. That means if you're entitled to £179.60 a week and deferred your pension by a year, you would get an extra £10.42 a week.

## Make the most of your pension allowance

Most people are able to pay up to £40,000 a year into your pension, tax free although some exemptions may apply. If you don't use this annual 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.

*Our financial advisers can help you review your pensions and advise on how to make the most of your investments going forward into retirement.*

***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.***





# 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.

# Be wary of the crypto-craze

You might be thinking about whether to invest in crypto currencies. We explain why it may not be the right choice, and how to better approach your portfolio.



This year has been eventful for bitcoin, with the cryptocurrency reaching a record high and then almost halving in value all in the space of six weeks. The walk-back in May from Tesla's Elon Musk in his support of bitcoin underlined concerns around the idea of cryptocurrencies as a stable investment. Musk – previously an outspoken supporter – announced his company would not be accepting bitcoin as payment for its vehicles. What followed was a series of plunges in its value – not helped by the additional news of Chinese regulators signalling a crackdown on the use of digital currencies.

## Bitcoin in brief

Bitcoin is a type of digital, decentralised currency, allowing the transfer of goods and services without the need for a trusted third party. The network is based on people around the world called 'miners' using computers to solve complex mathematical problems in order to verify a transaction and add it to the 'blockchain' – a massive and transparent ledger of each and every bitcoin transaction maintained by the miners. The first to verify is rewarded with bitcoin. There is a finite amount of bitcoin that can be produced and, as more are created, the mathematical computations required to create more become increasingly difficult.

## Cryptocurrencies can be volatile

Bitcoin's high volatility (risk) makes it a poor substitute for money in a broad sense. The unsteady air around cryptocurrencies in May showed the speculative nature of this asset class. Bitcoin and cryptocurrencies in general have more in common with commodities and currencies – they are much harder to value than cashflow-producing equities and bonds.



### Reasons to be crypto cautious

- Cryptocurrencies are a volatile choice and susceptible to stock market bubbles, which can affect investments negatively during a downturn.
- They're not a tangible form of investment, and are not regulated, which can be a red flag when it comes to your investments.
- Volatility means investors are likely to act on doubts and sell if they fear a fall in return.

## Where to invest?

A sensible approach is to invest in high-quality companies that are well-established businesses. These are usually businesses with strong management teams, serviceable levels of debt and predictable cash flows. To avoid being hit by market volatility make sure your portfolio is invested in a wide range of assets, and less vulnerable to market shocks.

Staying invested when there is a downturn can help you get through any turbulent times and put you in a good position to benefit from any ensuing recovery.

***Our financial advisers can help advise you on your investment choices.***

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# How might rising interest rates affect your mortgage?

The Bank of England has raised interest rates which means bigger mortgage bills for some homeowners.

At the start of February 2022, the Bank of England raised interest rates for the second time in three months from 0.25% to 0.50% to combat soaring inflation. This move will have a knock-on effect as mortgage lenders raise interest rates in response, which will increase monthly payments for some borrowers.

## What does a rise in interest rates mean for your mortgage?

Anyone without a fixed-rate mortgage is likely to see their borrowing costs rise, although how they are affected will depend on the type of product they have. Your adviser can help you assess your mortgage deal and figure out ways to make some much needed savings.

- Only borrowers with a mortgage that moves up or down with the base rate will be affected by the interest rate change.
- This includes tracker mortgages and standard variable rate mortgages (which you revert to when a mortgage deal ends).

## Fixed-rate mortgages

Most mortgage holders are on fixed-rate deals so won't see any change in their monthly payments. This is because the interest rate you pay stays the same for the length of the mortgage deal.

## Standard variable rate mortgages

You will usually be moved on to a standard variable rate when your existing tracker or fixed rate mortgage deal ends. For example, if you take out a two-year fixed deal and you don't remortgage, you will be moved to the lender's standard variable rate. The rate is likely to be considerably higher than what you were paying before, so your monthly payments will increase, and lenders can raise the standard variable rate whenever they want.

## Tracker mortgages

Homeowners with a tracker mortgage will find that their interest rate payments will now go up, but when this happens will depend on their lender. Tracker mortgages are a type of variable rate mortgage that follow the Bank of England's interest rate. So, when official interest rates go up, the rate on your tracker will rise as well.

As a rule, they do not exactly match the base rate, but are set a level just above it. For example, if the lender's rate is the base rate +1%, the interest you'd pay in total on your loan would be 1.5%.

Whatever type of mortgage you have, we can advise you about how the interest rate rise might affect you and address any questions or concerns you have.

## How to save on your mortgage costs

The best thing you can do is to speak to your financial adviser. For example, if you're on a tracker mortgage, they will be able to advise whether changing to a fixed-term deal to protect yourself from any further rises is a good idea. They will also let you know about the fees involved when making changes to your mortgage. If you are on a standard variable rate you can switch at any time, so with interest rates rising, your adviser can help you look at available fixed-rate deals.

Homeowners on fixed deals don't have to worry about their mortgage going up until their current term ends. Most lenders will let you lock into a new deal six months before the current one ends so it's a good idea to plan.

*Whether you're looking to remortgage or are a first-time buyer, we can help you find the most suitable deal for your circumstances and help keep your costs down.*

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS  
ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT**

## Investment Update

# Shaken but not stirred

Persistently high inflation is putting pressure on central banks to raise interest rates, which unsettled markets during the first few weeks of the year.

At the start of 2020 the World Bank issued a warning that the global economy faces a variety of challenges, including new Covid variants, high inflation and an uncertain geopolitical landscape. Its economists lowered their growth forecasts and suggested that some richer countries might not reach pre-pandemic levels of output until 2023, with poorer ones taking longer.

Central bank monetary policies are another uncertain factor. After the US Federal Reserve (Fed) said it could raise interest rates multiple times this year and sooner than expected – to curb inflation – stock markets dropped in early January. The Fed is worried that inflation could spiral out of control, and a strong labour market has added to these pressures.

Stocks in the technology sector were among the hardest hit. The Nasdaq Index had its worst start to a new year since 2008 and European technology shares fell too. By the middle of January conditions had stabilised, with investors reassured by the Fed's announcement that it would tackle the surge in inflation. However, tech share prices suffered again towards the end of the month.

## Inflation soars

The annual rate of inflation in the US jumped to 7%, which is its highest level since June 1982. Several factors are sustaining rising prices, with energy costs the largest contributor. In the UK, figures released in January showed inflation at a 30-year high, increasing pressure on the Bank of England to raise rates. The euro area's annual inflation rate crept up to 5%, another record high for the currency bloc. Energy prices were again the main factor.

Yet the underlying investment environment remains buoyant with the global economy continuing to expand at a decent pace, and companies delivering decent profits growth. Notably, the UK's economy has already recovered to its pre-pandemic level following a strong period of growth in the last few months of 2021, due in part to early Christmas shopping and an increase in dining out.

China's economy has been suffering from a variety of pressures, including a heavily indebted property sector, and it slowed at the end of 2021, which prompted a cut to one of its key interest rates. However, full-year growth was 8.1%, exceeding the government's target of 6% and rebounding from the 2.2% growth registered in 2020. With much of the world dependent on Chinese exports, the country posted a record trade surplus of \$676 billion in 2021 – the highest since 1950.

## The triumph of tech

With so many aspects of our lives shifting online during the lockdowns and ongoing digitalisation trends, it's not surprising that the technology sector often dominates the headlines. Notably, Apple became the first company to reach a market value of \$3 trillion. The company's share price has more than tripled since the depths of the pandemic in March 2020.

Meanwhile, Microsoft announced a massive \$69 billion deal to buy the games publisher Activision Blizzard. The move shook the gaming industry and after news of the acquisition, rival Sony saw \$20 billion drop in its market value. The deal promises to turn Microsoft into one of the world's biggest interactive entertainment players.

# Can your pension sustain your retirement?

Working out how long your pension pot will need to last – as life expectancy rises – is worth thinking about sooner than later.

The lockdown caused many people to reassess their lifestyles, which for some meant choosing early retirement. But what retirees have found is that pension pots are not matching the period of time needed to enjoy a comfortable life.

Life expectancy is going up. The Office for National Statistics offers an online calculator which gives an estimate of life expectancy – and with it an idea of how many years people will need their pensions to sustain them.

## What's your number?

The 'Class of 2021' report from Standard Life Aberdeen lays out how much value an average pension pot needs – around £366,000 if you multiply the average annual amount retirees surveyed said they would spend (£20,000) by 20 years of post-retirement time. A third said they had less than £100,000 saved.

## Retirees need more than they think

The survey reported that two thirds of retirees were at risk of running out of money post retirement. Along with people living longer (on average, people aged 55 today will live to their mid-to-late 80s) there is the issue of rising inflation which raises the cost of living as years go by. Volatility in the investment markets also adds to the concern for people approaching retirement when it comes to pensions.

## How to plan for the years ahead

Those surveyed did have plans to tackle this issue, however. Half of the those surveyed aimed to reduce the amount of money they spent on a day-to-day basis in order to save for retirement. Other considerations include downsizing their home and seeking part-time work after retirement in order to generate an income.

There is concern among almost half of those surveyed about being financially ready to finish working in the coming year. Yet many are aware of the need to be prepared when it came to their finances post-retirement, making any necessary adjustments – ideally with help from a financial adviser.

Keeping track of workplace pension plans and thinking about consolidating them into one pot might be a good place to start planning towards the goal of making your retirement as financially worry-free as possible.

***Our financial advisers can help you review your pensions and advise on how to make the most of your pension.***

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# 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.***

