

Carter Moore

Financial Advice &
Wealth Management Ltd

TEN

TIPS TO MAKE THE MOST OF PENSION FREEDOMS

Is Europe set on a path to recovery?

Grappling with a number
of significant headwinds

Maintaining dividend growth

Rewarding investors in
UK-listed companies

PASSING ON YOUR PENSION SAVINGS

It's never been more important to
plan whom you'd like to inherit them

SMART INVESTING

Inside the minds of
savers and investors

PENSION EARMARKING ORDERS

Divorcees may need to take action to protect
benefits following pension reforms

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INSIDE THIS ISSUE

Welcome to our latest issue, in which we look at how the new pension savings market offers much more flexibility and choice post-6 April this year, which is a positive, but it can be overwhelming. For people planning for retirement in the new world of pension freedoms, there are both risks and opportunities – from passing on your pension to loved ones, to making the most of tax relief. On page 28, we consider what your next pension freedoms steps could be.

Investors in UK-listed companies will be rewarded with an £85.8 billion payout in 2015, significantly better than last year, where investors suffered little or no growth in income according to Capita Asset Services' 'Dividend Monitor'. Dividend payouts from UK-listed companies made a strong start to 2015, prompting analysts to hike their forecasts for the year. Read the full article on page 08.

Unlike the rest of the world, the European economy has been hit by not one, but two major crises in the last decade. The collapse of the US mortgage market sent shock waves across the globe and triggered international financial turmoil. The global financial system, including financial markets in Europe, came under severe strain. A few years on, we consider whether Europe is set on a path to recovery on page 06.

Now in its third edition, the latest BlackRock Investor Pulse survey takes an in-depth look at Britons' attitude to money and provides a fascinating insight into the minds of savers and investors. People were asked about their priorities, concerns and how they invest. On page 12, we unveil some key findings and highlight the UK's SMART investors.

The full list of the articles featured in this issue appears on pages 03 and 04.

We hope you enjoy this issue, full of topical articles around the new pension freedoms. To discuss any of the articles featured, please contact us.

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TEN TIPS TO MAKE THE MOST OF PENSION FREEDOMS

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PLANNING YOUR RETIREMENT INCOME

Will the pension reforms have an effect on retirement planning?

JUST UNDER A THIRD (30%) of people believe the recent pension reforms will affect their plans for retirement income. Responding to a Schroders survey, of the people who said pension reforms will affect retirement, a significant proportion (45%) said they are likely to consider taking some money as cash and putting the balance in an investment fund.

CASH IS KING

Another plan is to invest in an income fund, and 23% said they are looking to keep the money in cash. 29% are planning to put the money towards a luxury purchase, such as a dream holiday, and 28% said they would use the money to pay off their or their family's debts^[1].

UNDERSTANDING THE CHANGES

The remaining 70% who did not think the reforms will affect their retirement income planning gave varied reasons for this. 20%

said this was due to worrying about taxation issues, and 31% said it was down to not knowing what decisions to make and not fully understanding the changes. 11% admitted they didn't have a pension. ■

GOOD FINANCIAL PLANNING

Surprisingly, only 30% believe the new UK pension reforms will have an effect on their retirement planning. This seems to be due to wide-ranging confusion about the tax implications and the choices available to them. The investment possibilities for pre- and post-retirement are extensive, and it's important for people to understand what it means for them. Good financial planning and advice are essential. With the commencement of the pension reforms, now is the perfect time to discuss your requirements.

Source data:

Part of the Schroders Global Investment Trends Survey 2015, 1,000 UK investors surveyed (2 June 2015).

[1] Respondents could give more than one answer.

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WHAT NEXT FOR THE EUROPEAN RECOVERY?

Grappling with a number of significant headwinds

UNLIKE THE REST OF THE WORLD, the European economy has been hit by not one, but two major crises in the last decade. A few years on, we consider whether Europe is set on a path to recovery.

In 2008, the collapse of the US mortgage market sent shock waves across the globe and triggered international financial turmoil. The global financial system, including financial markets in Europe, came under severe strain. Disruptions in the flow of capital led to what became known as the 'credit crunch', resulting in the greatest global economic recession since World War Two.

GLOBAL CREDIT CRUNCH

Then in 2010, the European economy was hit by another set of misfortunes. Fiscal deficits and accelerating levels of debt exacerbated financial distress in some European countries, particularly

those on the continental periphery. In the wake of the global credit crunch, a number of European governments faced soaring borrowing costs and lower tax revenues, which meant that many required emergency financial assistance to meet payments and avoid bankruptcy. This was known as the 'European sovereign debt crisis'.

This series of challenging financial events from 2008 to 2011 led to an environment of rising unemployment, tight credit conditions and fiscal drags in Europe. Worries over the survival of the monetary union dominated headlines, particularly in the first part of 2012.

EUROPEAN FINANCIAL MARKETS

On 26 July 2012, Mario Draghi, president of the European Central Bank (ECB), made a speech that marked a turning point in the recent path of European financial markets. While most market participants believed Europe to be at the brink of

collapse, Draghi stated that the ECB was ready to 'do whatever it takes' to save the monetary union and preserve the euro currency.

These words resonated strongly across the investment community. Many interpreted Draghi's comments as a guarantee to the 'euro-project' and believed that the likelihood of a member-state defection was reduced.

EUROZONE BREAKUP RISK

As an immediate aftermath, Spanish and Italian government bond spreads (relative to German government bonds, known as 'bunds') tightened significantly to pre-crisis levels, signalling a reduction in the perceived risk of a eurozone breakup. Periphery equity markets also reacted positively, boosted by an increased level of economic confidence, benefiting investors with exposure to these markets.

These positive developments occurred at a time when structural reforms in peripheral countries were starting to take shape. In





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response to the debt crisis, significant measures were introduced by a number of European countries (in particular Ireland, Portugal and Spain) to repair public finances. This was undertaken in tandem with European Union-wide policies, including fiscal consolidation, monetary easing and the promotion of structural reforms, all of which aimed to restore confidence in the economy, shore up business and labour markets, and bring back competitiveness.

STIMULUS TO THE ECONOMY

Europe has had to grapple with a number of significant headwinds in the last few years: fiscal austerity, deleveraging of the private sector and an undercapitalised banking system, to name a few. The ECB's accommodative monetary policy since 2012 – including the latest large-scale quantitative easing programme which began in March this year – has provided a significant amount of liquidity to the markets, helped reduce borrowing costs and acted as a stimulus to the economy.

While channelling quantitative easing money into the real economy has yet to reach its full extent, we believe these policies represent a step in the right direction. There are a number of positive factors emerging that shouldn't be underestimated. A continuing reduction in the cost of bank loans for small and medium enterprises, and further increase in demand for credit in the eurozone (as well as the gradual recovery in business activity from the weakness of previous years) are all worth considering. These positive dynamics indicate that the euro-area's economic momentum can gradually improve.

BANKING SYSTEM WEAKNESSES

Another notable development has occurred on the banking side. European regulators have been proactive in addressing weaknesses in the banking system, primarily focusing on reducing leverage and increasing capital. Following the asset quality review and stress-testing exercises conducted by the ECB, of which the final results were published in October 2014, European lenders are in a much better capital position compared to previous years. This should allow them to resume their role as financial intermediaries and channel investments into the real economy.

Already there are signs of improvement on that front: credit growth in the private sector has turned outright positive in the first quarter

of 2015, for the first time since 2008. Ultimately, more structural reforms remain crucial for a sustainable recovery in Europe, and some have questioned their slow pace of implementation to date. However, following the progress achieved in countries such as Spain, Portugal and Ireland, we are now seeing firm action by Italy and the start of reform activity in France.

REAL DISPOSABLE INCOME

Since the beginning of 2015, low oil prices, low borrowing costs and a weaker euro have provided a tailwind for households' real disposable income and corporate profitability. Confidence is gradually returning to European consumers and businesses, both in core and periphery countries.

The combination of all these factors should continue to boost domestic demand and further improve the playing field for corporates. Consequently, it seems logical to expect growth forecasts for corporate earnings to pick up from depressed levels and move higher as the year progresses. ■

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MAINTAINING DIVIDEND GROWTH

Rewarding investors in UK-listed companies

INVESTORS IN UK-LISTED COMPANIES will be rewarded with an £85.8 billion payout in 2015, significantly better than last year, where investors suffered little or no growth in income according to Capita Asset Services' 'Dividend Monitor'. Dividend payouts from UK-listed companies made a strong start to 2015, prompting analysts to hike their forecasts for the year.

RECOVERING UK ECONOMY

The reasons behind these dividend rises are the recovering UK economy, which is growing at its fastest pace since 2006, and the strength of the US dollar, which sees a number of FTSE 350 firms make payouts in this currency. While

UK companies are no longer the sole source of dividends globally, a well-blended portfolio of stocks from the FTSE 350 can provide investors with a diversified, sustainable income for life.

Dividends are right at the heart of what investing in equities is about, and since dividends are paid out of a company's cash, the payment of a dividend can confirm the fundamental strength of a company.

UK EQUITY FUND OUTFLOWS

Prior to the Conservative Party's victory in the general election on 7 May this year, the fears of a hung parliament and an anti-business coalition government resulted in a sharp increase in UK equity fund outflows in the

months preceding the election, and threw up some selective investment opportunities in the utility and support services industries.

Although a hung parliament had been a concern, it is always worth remembering that the UK stock market derives almost 70% of its revenues from economies outside the UK, which makes the investment universe highly diversified and relatively immune to UK political change.



BEARING ON FINANCIAL MARKETS

As a result of this election, two new political issues have risen to prominence – first, the successful integration of the Scottish Nationalist Party (SNP) into the UK parliamentary system, and second, the longer-term impact relating to the EU ‘in-out’ referendum in 2017. The latter will have a bearing on financial markets and the domestic economy in due course.

AVERAGE PRICE-EARNINGS RATIO

Equity markets have had plenty of time to prepare for higher US interest rates, and the US dollar has strengthened partly in anticipation. However, the reality may still cause a shift in investor behaviour and, if

history is a guide, a fall of the average price-earnings ratio (the current share price of a company divided by the earnings per share for the last financial period). This has been gently rising for some years. ■

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INVESTMENT SOLUTIONS TO GROW YOUR WEALTH

Regardless of what stage of life you're at, we can provide the advice required to help you grow your wealth and future income. To enable us to recommend the appropriate investment approach for you based on your personal preferences, and to explain how you can make the best use of our recommendations, please contact us for further information.

DIVIDENDS ARE RIGHT AT THE HEART OF WHAT INVESTING IN EQUITIES IS ABOUT, AND SINCE DIVIDENDS ARE PAID OUT OF A COMPANY'S CASH, THE PAYMENT OF A DIVIDEND CAN CONFIRM THE FUNDAMENTAL STRENGTH OF A COMPANY.



NATION OF SAVERS

Focusing on the long term for a more secure future

THE UK IS BECOMING A NATION OF SAVERS, with three quarters (74%) of people saying they are currently saving, research from Scottish Widows has revealed.

The savings study found the number of savers is up to 74% from 63% in 2010, with a steady year-on-year rise in the number of long-term savers. The average amount people have in short- and long-term savings now stands at £32,407, compared to £30,175 last year, marking a 7% rise.

MORE SECURE FUTURE

A 'more secure future' was the main reason 40% of those saving for the long term were putting money away, while emergencies or a 'rainy day' is the main saving impetus for more than a third of short-term savers (38%).

The proportion of people not saving at all has been steadily declining since 2010, as more and more people begin to wake up to the importance of having a buffer in the bank. A growing awareness around the importance of preparing for the long term was particularly marked, with the proportion of people choosing to focus just on this type of saving jumping from 14% to 17% over a four-year period.

YEAR-ON-YEAR IMPROVEMENT

Despite a year-on-year improvement, the study highlighted that a significant proportion of the nation is still failing to build up a financial buffer, with one in four (26%) not saving anything at the moment, and 18% having no savings at all.

A third of respondents (33%) were aware that they were definitely not saving enough to

meet their long-term needs, and 32% admitted they hadn't saved anything at all over the past 12 months. The study revealed that failing to save was most common among those aged 45-54, with 33% currently not putting any cash aside for the future.

BARRIER TO SAVING OR INVESTING

The research highlighted that almost half (42%) said not knowing how to go about saving or investing was a barrier to saving, while 23% said they would be inclined to save more if savings options were generally easy to understand.

It has been a watershed year in the savings landscape, and the study reflects to some extent the effect that landmark changes have had on people's mindset, with greater flexibility on savings vehicles including Individual Savings Accounts (ISA) and pensions, as well as reforms to how savings can be passed on to provide more incentives to put money away for the longer term. ■



PLUGGING THE KNOWLEDGE GAP

The increase in long-term savers suggests that more people understand the need to prepare for their financial future. However, plugging the knowledge gap will help ensure that people can access the information they need to make the right choices. If you would like to review your current financial plans, please contact us for further information.

Source data:

The survey was carried out online by YouGov, who interviewed a total of 5,144 adults between 31 October and 5 November 2014. The figures have been weighted and are representative of all UK adults (aged 18+).

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SMART INVESTING

Inside the minds of savers and investors

Now in its third edition, the latest BlackRock Investor Pulse survey takes an in-depth look at Britons' attitude to money and provides a fascinating insight into the minds of savers and investors.



PEOPLE WERE ASKED about their priorities, concerns and how they invest. Here, we unveil some key findings and highlight the UK's SMART investors.

The British are proactive about managing their finances and setting long-term financial goals. However, managing debt is a high priority, and confidence in being able to pay these debts off is higher priority than longer-term saving and investing objectives.

While the British take financial planning seriously, they are conservative investors. Cash makes up 68% of the typical portfolio.

People use income investing in many ways and at all stages of life. These income investments include property and share-based funds that make regular payouts, and there is a near-equal split between people who reinvest the payouts to build wealth and those who spend the payouts.

THE BRITISH ARE PROACTIVE ABOUT MANAGING THEIR FINANCES AND SETTING LONG-TERM FINANCIAL GOALS. HOWEVER, MANAGING DEBT IS A HIGH PRIORITY, AND CONFIDENCE IN BEING ABLE TO PAY THESE DEBTS OFF IS HIGHER PRIORITY THAN LONGER-TERM SAVING AND INVESTING OBJECTIVES.

The British would like to have three quarters of their working income in retirement. However, pensions remain an obscure topic for many, and 44% have not yet started to save for retirement.

The research identified SMART investors – people who invest sensibly, access advice,

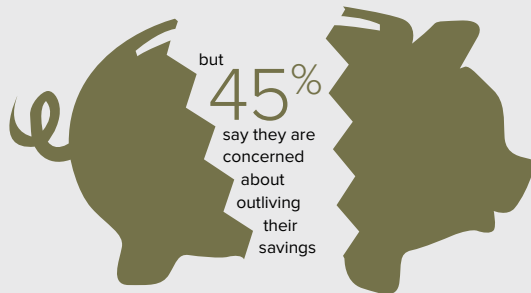
make retirement a priority and realise the importance of spreading money across assets. These are 'healthy habits' which enable SMART investors to feel confident and in control of their financial future. ■

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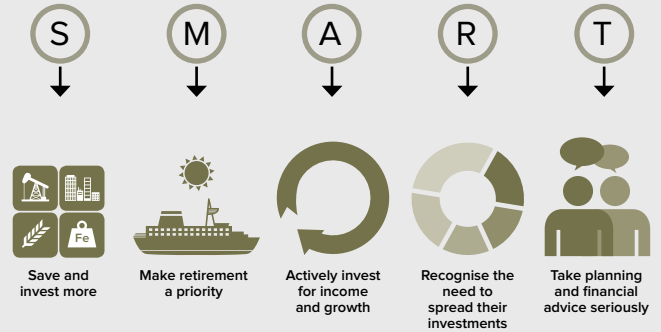
Retirement

The average investor wants 76% of their current income in retirement



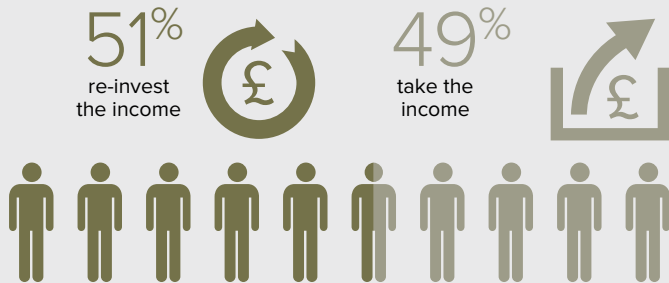
Planning and advice

The five key habits of a SMART investor



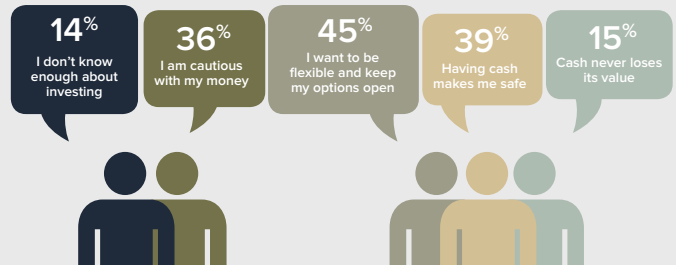
Attitude

People use income from investments in different ways

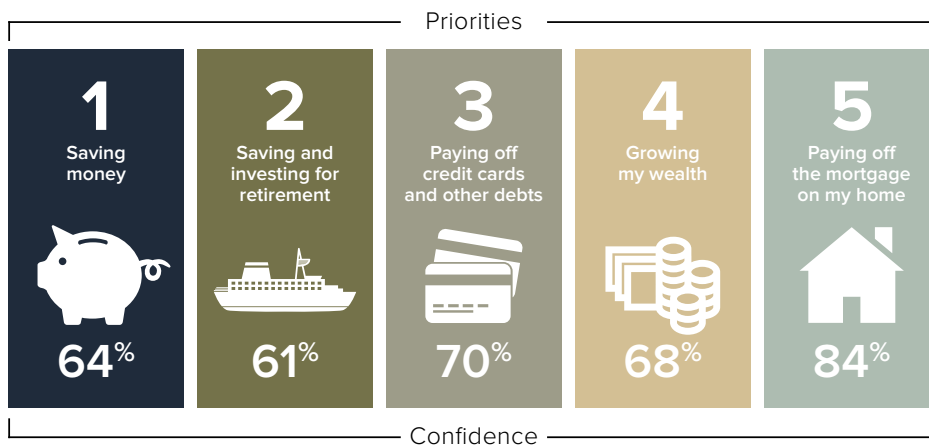


Behaviour

Cash makes up 68% of British people's savings and investments. What are the reasons?



Top five financial priorities and confidence in achievement



Source data:

BlackRock Investor Pulse was conducted in association with Cicero Group in August 2014. A nationally representative sample of 27,500 people in 20 countries were surveyed. They were aged between 25 and 74 years old, and 2,000 were UK residents. The results of this survey are provided for information purposes only. The conclusions are intended to provide an indication of the current attitude of a sample of citizens in the UK to saving and investing and should not be relied upon for any other purposes.

You've protected your most valuable assets.

But how financially secure
are your dependents?

Timely decisions on how jointly owned assets are held, the mitigation of inheritance tax, the preparation of a will and the creation of trusts, can all help ensure your dependents are financially secure.

**Contact us to discuss how to safeguard your dependents,
wealth and assets, don't leave it until it's too late.**



CHANGING WORK PATTERNS

Over-50s retrain for later life retirement funding

NEARLY TWO THIRDS OF OVER-50S

workers would consider retraining so they could work longer in retirement, research from MetLife[1] shows.

63% of over-50s are looking at potentially lengthening their working lives, with 50% considering learning new skills to continue in full- or part-time employment, while 13% would look to retrain so they could launch their own business.

LATER-LIFE WORKING PATTERNS

Traditional working patterns in later life are changing dramatically. The research among all adults shows around 71% of all workers say they would consider working after retirement, with just one in three (31%) expecting to retire completely from full-time work.

NOT READY FOR RETIREMENT

The decision to work past traditional retirement ages is not entirely financially-

driven, with 23% of over-50s saying they enjoy working and don't feel ready to retire, while a further 30% would miss the social interaction that work provides, and 29% say they feel that work gives them a sense of purpose. However, the study found 55% of working over-50s admit they are not financially well prepared for retirement.

CHANGING WORKING PATTERNS

The change in working patterns was highlighted in an independent report from Dr Ros Altmann CBE, 'Flexibility in Retirement – Planning for change'. The report by Dr Altmann, now the Government's Business Champion for Older Workers, highlighted the tremendous opportunity of how the change in working patterns can dovetail with pensions planning, flexible approaches, new products and more creative methods of funding retirement. ■

MAKING SENSE OF YOUR OPTIONS

As the retirement landscape changes following the new government pension rules, it's really important to understand the changes and review your situation. It can be quite confusing, so to find out more about the options available to you, please contact us.

Source data:

[1] Research conducted online between 11-12 March 2014 among a nationally representative sample of 2,531 employed adults aged 18+ by independent market research firm Consumer Intelligence

ACCUMULATING WEALTH FOR YOUR CHILDREN OR GRANDCHILDREN

How to give them a financial head start in life as they grow up in the modern world

ANYONE WITH CHILDREN knows there will be lots of demands on the household finances, but when it comes to long-term saving, perhaps for university or a first home, even a small sum can give your child a financial head start in life over a long period of time. With this in mind, the Association of Investment Companies (AIC) has taken a look at long-term investment company performance, and what to consider when investing for children.

LONG-TERM INVESTMENT COMPANY PERFORMANCE

Investment companies are not just for the wealthy few, but can suit a variety of budgets: contributions start from around £50 per month. An investment of £50 each month in the average investment company has grown to a considerable £28,584 over the last 18 years.

A lump sum investment of £4,080, the full Junior ISA limit for the tax year 2015/2016, in the average investment company eighteen years ago would today have grown to £18,135. If an investment of £4,080 had been made each year for the past eighteen years, this sum would have grown to an impressive £195,384.

HOW DOES IT ALL WORK?

Young children can't hold shares in their own name, so a scheme can be set up on their behalf. Investment company shares can be held in a designated account, where shares are held in the name of the parent/guardian/benefactor, but it is stated on the application form that shares are held on behalf of a child (by adding the child's name or initials to the form). An advantage of choosing this way to save for a child is that the shares are under the control of the adult until they decide to transfer them to the child.

In a bare trust, shares are held for the benefit of the child and therefore the parent or guardian has no entitlement to the income or proceeds. No income tax or capital gains tax will need to be paid if investments are made via a Junior Individual Savings Account (ISA) wrapper, with an allowance of up to £4,080 annually in the 2015/2016 tax year. The investments belong to the child but cannot be accessed until they reach eighteen, at which point, in the case of Junior ISAs, the account will be converted to an adult ISA.

WHAT ARE THE TAX IMPLICATIONS OF INVESTING FOR CHILDREN WITH INVESTMENT COMPANIES?

If an investment company is held by an adult via a designated account, then the shares will be deemed as belonging to the adult and will be taxed according to the adult's income and capital gains tax liabilities. If investment company shares are put into a bare trust, then they are held for the benefit of the child, who will have their own income and capital gains tax annual allowances to reduce any tax liability.



However, if any investments made on behalf of a child by a parent generate an income of £100 or more a year, then the income will be deemed to belong to the parent/guardian who created the trust, and income tax may be payable. This does not apply to contributions to a Junior ISA, or if the money was given by another relation to the child, or a friend.

DO YOU UNDERSTAND THE INHERITANCE TAX IMPLICATIONS?

If you decide to make a gift to your children, you should make sure you understand the Inheritance Tax implications. You should consider taking professional financial advice if you are not sure about how to invest, what type of investments might be suitable and the tax consequences.

Investment companies are popular for saving for children, because there is plenty of time to benefit from the long-term potential of the stock market whilst riding out some of the market highs and lows along the way. By investing in a range of companies on your behalf, investment companies offer professional fund management and spread your investment risk. ■

ACCUMULATING WEALTH FOR YOUR CHILDREN OR GRANDCHILDREN

The younger generation are facing new and difficult financial challenges as they grow up in the modern world. Starting to accumulate wealth for them now might be the difference between whether or not they can afford to do what they would like when the time comes. If you would like more information about saving or investing for your children or grandchildren, please contact us.

IF AN INVESTMENT COMPANY IS HELD BY AN ADULT VIA A DESIGNATED ACCOUNT, THEN THE SHARES WILL BE DEEMED AS BELONGING TO THE ADULT AND WILL BE TAXED ACCORDING TO THE ADULT'S INCOME AND CAPITAL GAINS TAX LIABILITIES.

Source data:

Performance data is share price total return to 30 April 2015, and mid-market share price on a total return basis. No expenses taken into account. Source: AIC using Morningstar. The Association of Investment Companies (AIC).

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PASSING ON YOUR PENSION SAVINGS

It's never been more important to plan whom you'd like to inherit them

Your pension is your life savings you've built up to give you the retirement you want. Since new pension rules came into effect from 6 April this year, pensions have become more flexible – including a cut in tax when a pension is passed on.

PLAN WHO INHERITS YOUR PENSION

With more money able to be passed on, it's never been more important to plan whom you'd like to inherit it. What's not always well known, however, is that your Will doesn't usually control who inherits your pension. That final, crucial decision is down to your pension provider, who makes reference to who is named on your Beneficiary Nomination form. If you don't have this in place, your pension savings may not go to the person, or people, you wanted them to.

LIFE CHANGES AND YOUR WISHES

All you need to do is request a Beneficiary Nomination form from your pension company. It's vital, too, to keep your Beneficiary Nominations up to date, as life changes and your wishes may not be reflected in the form you completed ten years ago. It's particularly important following major life events such as the birth of children or divorce. ■

CONTROLLING WHO INHERITS YOUR PENSION

If you want more control over who inherits your pension, don't delay in completing your Beneficiary Nomination. It is now possible to pass your money purchase pension pot on from generation to generation, just like other assets, but it's essential to obtain professional advice. If you require more information, please contact us.

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COMPULSORY FINANCIAL ADVICE

Two thirds of people aged 55 and over believe financial advice should be compulsory at retirement

TWO THIRDS (65%) OF PEOPLE aged 55 and over who are not yet retired believe that it should be compulsory to receive financial advice at retirement, according to findings from Retirement Advantage.

ONGOING ADVICE

More than one third (35%) of people polled said they were not comfortable managing their pension in retirement, which suggests that these people will require ongoing advice through their retirement journey. Only 11% of people said they were very comfortable managing their pension in retirement.

The research also shows that 62% of people who plan to use their pension funds before retiring also think that financial advice should be compulsory. This follows the introduction of the new pension freedoms, which allow people with defined contribution pensions unfettered access to their savings.

LIFE-CHANGING DECISIONS

There is a real appetite among the over 55s for financial advice, not only at the point of retiring but also during retirement. People are making difficult, life-changing decisions, made all the more complex by the new pension rules. The majority of people recognise that without

financial advice, they may fail to realise the full implications and make decisions that end up costing them dearly.

The Pension Wise guidance service is a good starting point for people and provides those at retirement with an understanding of their new pension options. The service can help people understand the options available, but it may not be enough to help them make the choice that's right for their personal circumstances. ■

HELPING YOU DETERMINE YOUR GOALS AND CREATE A PLAN TO ACHIEVE THEM

Obtaining professional financial advice for your retirement will help you to determine your goals and create a plan to achieve them. Few people find it easy to plan on their own, particularly as they amass wealth and their financial situations become more complex. This is one of the areas where professional financial advice can help. We review your current circumstances, anticipated changes and future goals, and make recommendations. To find out more about how we could help you, please contact us.

Source data:

Research was conducted by ComRes with 1,000 UK residents aged 55 and over who are not retired. Data were weighted to be representative of the known profile of UK adults aged 55+ who are not retired. The fieldwork was carried out online between 27 February and 5 March 2015.

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Financial planning is our business.

We're passionate about making sure
your finances are in good shape.

Our range of personal financial planning services is
extensive, covering areas from pensions to inheritance matters
and tax-efficient investments.

**Contact us to discuss your current situation, and we'll
provide you with a complete financial wealth check.**



ESSENTIALS AND INDULGENCES

UK parents spend £28 billion on nation's under-fives each year

UK PARENTS SPEND AROUND £35,000 on their children by the time they reach their fifth birthday, according to research released by Aviva. This adds up to a total of more than £28 billion^[1] spent on the nation's four million under-fives each year.

VARYING EXPENSES

The study of more than 2,000 parents with children aged 0-5 discovered that parents typically spend £7,026 a year – or £586 a month – on essentials and indulgences for their youngsters. This includes the cost of everything from basics such as nappies and milk formula, to extras such as toys and baby ballet classes.

The cost of raising children to age five also differs widely across the country, with parents in London paying more than double the amount paid by parents in Wales and the North West.

Those in the capital say that they pay an average of £894 per month – or £10,731 per

year. This is in comparison to a more modest £408 a month (or £4,901 annually) in Wales.

UNDER CONSIDERABLE PRESSURE

The research also revealed that parents feel under considerable pressure to spend on their youngsters. One in five (18%) say they feel compelled to spend in order to keep up with other parents. This is perhaps fuelled by the fact that more than a third (36%) of parents questioned say they know other parents who boast about how much they spend on their children. However, only a modest one in seven (14%) admit to giving in to their children's demands and buying things they don't really need.

MAKING FINANCIAL PLANS

There is good news in that many of these parents with youngsters under six have made financial plans for their children's futures, with more than half (52%) having opened a savings account in their children's

names, while 37% have opened a Junior Individual Savings Account (ISA) or a Child Trust Fund. A forward-thinking 8% have started saving for a house deposit for their children, and the same have started a university fund for them. ■

Source data:

[1] Research carried out by ICM, surveying 2,002 parents with children aged 0-5 in November 2014. Figure compiled by multiplying the number of children aged under five in the UK, according to ONS mid 2013 data (4,013,861) by the average annual cost spent by parents on under fives annually (£7,026).

[2] Costs are based on mean averages across all respondents, although some parents will pay considerably more for certain expenses (such as childcare) while others will pay less.



**WHILE EXPENSES VARY FROM FAMILY TO FAMILY,
AVERAGE COSTS[2] ARE AS FOLLOWS:**

	Average monthly costs	Average annual costs
Toys and games	£53.30	£639.60
Clothes	£58.00	£696.00
Essential baby/child equipment	£62.30	£747.60
Leisure/family trips out	£56.20	£674.40
Entertainment e.g. DVDs, books, tablets, etc.	£37.30	£447.60
Classes for children e.g. soccer tots, baby ballet	£38.80	£465.60
Special foods for children/formula	£41.90	£502.80
Childcare/babysitting	£95.00	£1,140.00
Nappies	£47.70	£572.40
Extra holiday costs (additional costs for children)	£55.90	£670.80
Equipment for school/pre-school e.g. uniforms	£39.10	£469.20
TOTAL	£585.50	£7,026.00

REGIONAL VARIATIONS ARE REVEALED AS:

Region	Monthly costs	Annual costs
London	£894.30	£10,731.60
West Midlands	£683.50	£8,202.00
North East	£645.30	£7,743.60
East Midlands	£609.80	£7,317.60
Yorkshire	£584.70	£7,016.40
Scotland	£543.30	£6,519.60
South East	£509.50	£6,114.00
East	£494.70	£5,936.40
Northern Ireland	£491.10	£5,893.20
South West	£461.70	£5,540.40
North West	£431.90	£5,182.80
Wales	£408.40	£4,900.80

HAVE YOU PLANNED FOR THE UNEXPECTED?

Four out of ten (42%) parents of 0-5s have planned for the unexpected by taking out life insurance, while one in five (20%) have made a Will. It's so important for parents to consider how they might cover the cost of raising a child if they were to unexpectedly lose an income through illness or even worse, bereavement. There are many forms of protection to offer excellent peace of mind. To discuss your requirements, please contact us.

Isn't it time you had a financial review?

We'll make sure you get the right
advice for your individual needs.

We provide professional financial advice covering most areas of financial planning, including, tax-efficient savings, investment advice, retirement planning, estate & inheritance tax planning, life protection, critical illness cover and income protection.

To discuss your options, please contact us.



GENERATION Y

More than one in ten would use parents' pension on mortgage deposit

MORE THAN ONE IN TEN (12%) 20-35-year-olds are prepared to ask their parents to access pension savings to help pay for a mortgage deposit, research from Old Mutual Wealth^[1] shows. But only half as many over-55s are willing to use their pension to help children or grandchildren buy a home.

HELPING CHILDREN OR GRANDCHILDREN

Half as many over-55s are willing to use their pension to help children or grandchildren buy a home. Over-55s with private pension savings are now able to access their retirement funds with complete flexibility, following the introduction of new 'Pension Freedoms' on 6 April this year.

Asked if they would consider speaking to their parents about taking a lump sum from a pension in order to help with a house deposit, 12% of 20-35-year-olds said they would.

GETTING A FOOT ON THE HOUSING LADDER

Although over one in ten among the Generation Y cohort (also known as 'Millennials', born between about 1980 and 2000) hope their parents' pension will help

them get a foot on the housing ladder, just 6% of those in the 55-70 age bracket say they would use some or all of their pension wealth to help children with a house deposit.

One of the big risks with these freedoms is that individuals see the opportunity to access a large capital sum and use it for something other than income in retirement. While every parent wants to help their children onto the housing ladder, they should think first about their own needs in retirement.

FINANCIAL SUPPORT LATER IN LIFE

Equally, anyone tempted to pressure their parents into drawing a lump sum to help with a deposit should be very careful. If parents take too much from their pension and don't have enough to retire on, they may rely on their children for financial support later in life.

Pension freedoms do however give people the option to deploy their pension pot as they wish. For some families, particularly those where the older generation have other assets with which to generate retirement income, the opportunity to help their children onto the housing ladder could be very appealing. ■

SOLVING MONEY ISSUES FOR FUTURE GENERATIONS

Financial planning can help address all these issues, and help solve money issues for future generations. To discuss your requirements, please contact us – we look forward to hearing from you.

Source data:

^[1] All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1,023 UK adults age 55-70 and 570 UK adults age 20-35. Fieldwork was undertaken between 11-17 March 2015. The survey was carried out online.

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BEST OF BRITISH

UK PLCs most widely held by investment companies

WHICH UK COMPANIES have investment company managers been favouring? With the UK in the spotlight, the Association of Investment Companies (AIC) has published details of which UK companies are held by the highest number of investment companies in their top holdings.

Rank	Company	Number of investment companies holding these shares	Investment company with largest exposure (% portfolio)
1	HSBC	52	Temple Bar (9.47%)
2	Royal Dutch Shell PLC	44	Temple Bar (8.93%)
3	GlaxoSmithKline PLC	41	Temple Bar (7.14%)
=4	BP PLC	40	Temple Bar (6.04%)
=4	British American Tobacco PLC	40	BlackRock Income & Growth (5.95%)
5	AstraZeneca	36	Manchester & London (7.22%)
6	Vodafone Group PLC	35	Schroder Income Growth (4.30%)
=7	BHP Billiton	33	Murray Income (3.72%)
=7	Legal & General	33	Schroder Income Growth (4.21%)
=7	Unilever PLC	33	Finsbury Growth & Income (9.04%)
8	BT Group PLC	31	Edinburgh Investment (5.38%)
9	Imperial Tobacco	30	Edinburgh Investment (5.70%)
10	Centrica PLC	29	Dunedin Income Growth (3.24%)
=11	Rio Tinto PLC	28	BlackRock Income & Growth (4.24%)
=11	BG Group	28	Manchester & London (5.37%)
=12	BAE Systems PLC	27	Edinburgh Investment (4.9%)
=12	Barclays	27	Schroder UK Growth (4.74%)
=12	Prudential	27	British & American (6.54%)
13	Provident Financial	26	Jupiter European Opportunities (9.09%)
14	Aviva	25	City Merchants High Yield (2.64%)
=15	Rolls-Royce Holdings PLC	24	Edinburgh Investment (2.67%)
=15	Standard Chartered	24	Shires Income (3.79%)
=15	Compass Group PLC	24	BlackRock Income & Growth (2.78%)
=16	Berendsen PLC	23	Dunedin Smaller Companies (3.06%)
=16	National Grid PLC	23	Invesco Income Growth (3.07%)
=17	Sage Group	22	Finsbury Growth & Income (6.17%)
=17	Friends Life Group Ltd	22	BlackRock Income & Growth (3.53%)
=17	Reed Elsevier PLC	22	Finsbury Growth & Income (8.02%)
=17	Lloyds Banking Group	22	Fidelity Special Values (3.15%)
18	Diageo PLC	21	Finsbury Growth & Income (8.45%)
=19	Amlin PLC	20	Independent Investment Trust (3.82%)
=19	Lloyds TSB	20	Invesco Perpetual Enhanced Inc (3.07%)
=20	Pearson	18	Finsbury Growth & Income (6.79%)
=20	Senior	18	Lowland (3.98%)
=20	Tesco	18	Dunedin Income Growth (1.86%)

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INTERESTING EXCEPTIONS

The UK companies held by most investment companies are dominated by FTSE 100 companies, with dividends no doubt being one of the key drivers. But there are some interesting exceptions: for example, Provident Financial, the 13th most widely held top holding, is a FTSE 250 company, alongside Berendsen, the 16th most widely held top holding. Amlin, the 19th most widely held top holding, is also a FTSE 250 constituent. Senior, a FTSE 250 company, also makes the list and is held by 18 investment companies.

TOP TEN COMPANIES

Dividend payers dominate the top ten companies held by UK investment companies, with banks, oil and gas, and pharmaceuticals prominent. It's also interesting to see some fund managers increasing their cash exposure, possibly in anticipation of potential buying opportunities ahead.

Investment companies are one of the best ways to spread investment risk across a range of companies, but investors need to take a long-term view and ensure they hold a balanced portfolio.

SECURING YOUR FINANCIAL FUTURE

Creating and maintaining the right investment strategy plays a vital role in securing your financial future. Whether you are looking to invest for income or growth, we can provide the quality advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals. To discuss your requirements, please contact us. ■

Source data:

Cash holdings data as at 31 March 2015.

Source: Morningstar.

Portfolio holdings as at latest available date.

Prepared April 2015. Source: Morningstar.

The Association of Investment Companies (AIC).

PENSION EARMARKING ORDERS

Divorcees may need to take action to protect benefits following pension reforms

AN UNINTENDED CONSEQUENCE of the pension reforms is that any divorcee with a pension earmarking order may need to act fast to protect their benefits. Any earmarking order that provides the ex-spouse with a fixed percentage of the pension income in retirement should be checked to ensure benefits are protected now that the member no longer needs to take their pension as an income and can instead take all the cash out as a lump sum.

SECOND BIGGEST ASSET

Pension funds are often the second biggest asset people have outside their main family home. It is therefore unsurprising that they often form part of a divorce settlement. There are two main ways people can use their pension fund in a divorce settlement. They are:

■ **Pension earmarking:** this is where a fixed percentage of the member's pension benefits are earmarked for the ex-spouse, but the pension stays with the member. Once the member reaches retirement and starts taking the pension benefits, the ex-spouse will also start to receive the benefits earmarked for them. They will receive a fixed percentage of either the pension income or the tax-free cash lump sum, or both. (In Scotland, earmarking only applies to the tax-free cash lump sum.)

■ **Pension sharing:** this is where a share of the cash equivalent transfer value of the member's

pension is allocated to the ex-spouse. This could result in the ex-spouse transferring these benefits straight into a pension in their own name, creating a clean break.

NEW PENSION FREEDOMS IMPACT

Pension sharing is the more popular method used today. However, before pension sharing was available, a number of people would have set up pension earmarking orders. These people now need to check how the new pension freedoms impact them.

ENTIRE PENSION WITHDRAWAL AS CASH

If a divorcee has a pension earmarking order that pays them a fixed percentage of the pension income, they should check immediately to see if their rights are protected if the member decides to withdraw their entire pension as cash and not take a pension income. If the member takes the entire pension as a cash lump sum, the ex-spouse may not receive their correct entitlement. If the wording on the earmarking order does not protect them from this, they should seek advice from a solicitor or accredited pension specialist to ascertain whether they can make an amendment to the order.

RIGHT TO RETIREMENT INCOME

A number of people may have set up pension earmarking when it first became possible around 20 years ago, and the majority of

these orders would have been for the benefit of the ex-wife. It is important that these women act promptly (especially if their ex-husband is approaching retirement age) to check their earmarked rights are protected. They need to ensure that where they have a right to a percentage of the retirement income, they receive the same benefit if their ex-husband takes all the pension money out as cash instead of as an income. ■

REFORMS COULD IMPACT ON SOME PEOPLE

Earmarking orders have not been the major choice since pension sharing orders became available in December 2000. However, it is possible that the reforms could impact on some people. Anyone with an earmarking order that is still in force should consider their position.

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Achieving a comfortable retirement.

Do you need a professional assessment
of your situation to make this a reality?

.....

If you are unsure whether your pension is performing in
line with your expectations, and that you've made the right
pension choices – don't leave it to chance.

**Contact us to discuss these and other important
questions, and we'll help guide you to a
comfortable retirement.**

TEN TIPS TO MAKE THE MOST OF PENSION FREEDOMS

Planning for retirement in the new pensions landscape

THE NEW PENSION SAVINGS market offers much more flexibility and choice post-6 April this year, which is a positive, but it can be overwhelming. For people planning for retirement in the new world of pension freedoms, there are both risks and opportunities – from passing on your pension to loved ones, to making the most of tax relief.

PENSION FREEDOMS – WHAT ARE YOUR NEXT STEPS?

1. Make sure you have a clear picture of what pensions you have – some people lose track of old pensions from previous jobs, especially after moving property. Use the free government service to track down your money: www.gov.uk/find-lost-pension

2. If you have various pensions from former jobs, think about whether you want to ‘tidy up’ your pensions – there could be benefits in bringing them together and consolidating them in one pot, so it’s easier to keep an eye on what they’re worth and how they’re invested. This might not be suitable for everyone, and professional advice should always be obtained.

3. Check if you are making the most of your workplace pension – your employer might match some of what you pay in. See if you could afford a bit extra each month to give yourself a better opportunity to build a larger pension pot. Remember that for every £80 you pay in,

and depending on your particular situation, this normally gets topped up with £20 in tax relief, and more tax can be reclaimed if you pay tax at a higher rate.

4. Make sure your Beneficiary Nomination is up to date – the new changes mean it’s easier to pass on your pensions to loved ones. Your pension provider will normally look at your Beneficiary Nomination when deciding whom to pay your savings to, and your Will usually isn’t relevant. Keep your Beneficiary Nomination up to date by requesting a form from your pension company, or you might be able to do this online.

5. Talk to your family – with the new flexible rules about inheritance to bear in mind, you may want to work through these decisions together.

6. Check how your pension savings are invested – you might have selected the funds years ago, and they may no longer reflect your wishes today. Or perhaps you are in a ‘default’ fund, one which was automatically selected for you at the beginning. Either way, it’s prudent to look and see if the funds suit you. If you’re not sure, obtain professional financial advice.

7. Other savings – if you’re approaching retirement and have Individual Savings Accounts (ISA) or other savings, you may want to review these and consider moving your savings into your pension in order to make the most of tax relief. This won’t suit everyone but is worth considering.

8. Be aware of scams – the new flexibilities also give more opportunities for scammers. So remember, if it sounds too good to be true, it probably is.

9. Consider reviewing your retirement plans in light of the new rules – to make sure you’re on track to meet your retirement goals, it’s important to review your pension savings and estimate the income they’re likely to generate in retirement. If there’s a shortfall in your savings, the earlier you spot it, the easier it will be to fix.

10. Think ahead about how you might want to access your savings in retirement – you’ll have a choice of accessing cash, keeping your savings invested, drawing a flexible income, buying a fixed income or some combination of these. You’ll feel more confident making your final decision if you’ve spent time thinking about what’s right for you in advance. ■

MAKE THE MOST OF YOUR RETIREMENT OPPORTUNITIES

Regardless of the life stage you have arrived at, it is important to receive expert and professional financial advice on your pension plans and requirements. Whether you need to set up a pension or review existing retirement planning strategies, we can advise you to help you make the most of your retirement opportunities. To find out more, please contact us.

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