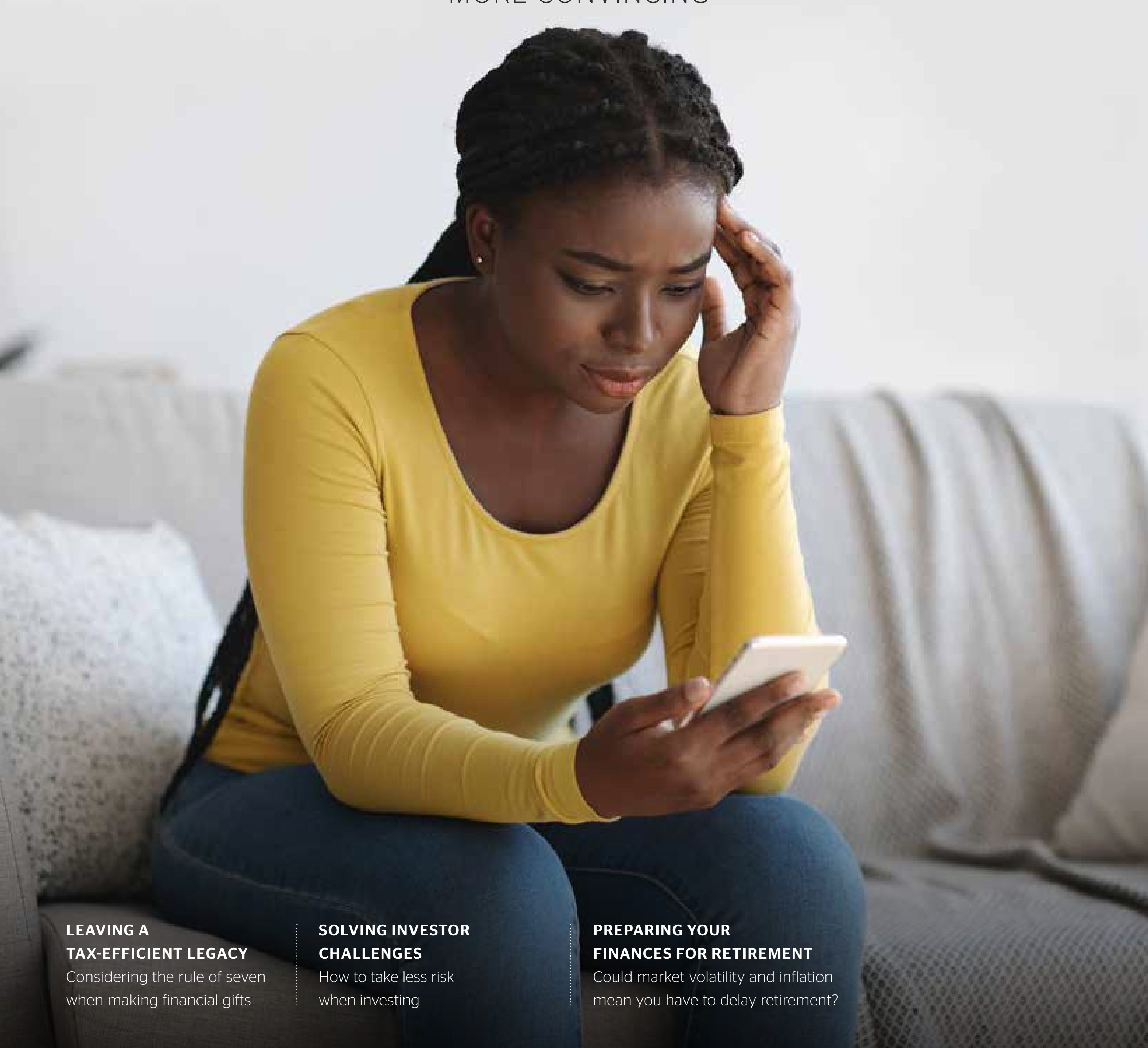
The financial planning magazine from Fairstone

Issue 57 Nov - Dec 2022

IntelligentWealth Magazine

SPOTTING AN INVESTMENT SCAM

HOW SCAMMERS ARE GETTING MORE CONVINCING



LEAVING A TAX-EFFICIENT LEGACY
Considering the rule of seven when making financial gifts

SOLVING INVESTOR CHALLENGES
How to take less risk when investing

PREPARING YOUR FINANCES FOR RETIREMENT
Could market volatility and inflation mean you have to delay retirement?

Fairstone is a full-service wealth management house delivering intelligent solutions for your lifetime financial journey.

Incorporating one of the UK's largest Chartered financial planning firms, our team of financial advisers offer independent financial advice, investment management and estate planning services.

Wealth management

Tailored wealth management advice to help you achieve your life goals

Portfolio construction

Helping you to plan for your future with a tailored investment plan

Retirement planning

Helping you plan your finances to achieve the lifestyle you deserve

Protection planning

Helping you plan for the unexpected

Property finance

Helping you to buy the house of your dreams - mortgage advice that's tailored to you

Estate planning

Protecting the financial future of the ones you love - estate and inheritance planning that gives you financial control

Corporate financial advice

Helping you plan for the financial future of your business

Fairstone offer all new clients a **no cost, no obligation, initial consultation.**

Our dedicated client services team will be happy to match you to the local adviser that best suits your needs and objectives, in just a few short minutes.

Speak to the team on

0800 029 1110

info@fairstone.co.uk

fairstone.co.uk

Fairstone Financial Management; Fairstone Wealth Management; Fairstone Mortgage Solutions and Fairstone Private Wealth are all authorised and regulated by the Financial Conduct Authority. The regulated firms are all part of the Fairstone Group Limited. Company No: 06599555. **https://register.fca.org.uk**

The value of investments can go down as well as up. Past performance is not an indication of future performance and you may not get back the full amount you originally invested.

Your home is at risk if you do not keep up repayments for a mortgage or a loan secured on your property. Redemption penalties may apply. Interest rates may vary and interest only mortgages may carry additional risks. Think carefully before securing existing debt to your property.

If you are in any doubt about tax implications that may affect you, please seek advice from a tax specialist before making any decisions.

CONTENTS

04
PASSING WEALTH DOWN THROUGH THE GENERATIONS
Millions of retirees help out in cost-of-living crisis

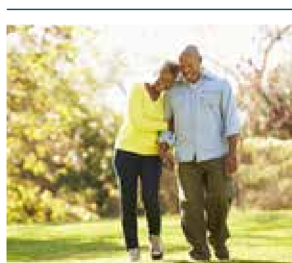
06
SPOTTING AN INVESTMENT SCAM
How scammers are getting more convincing

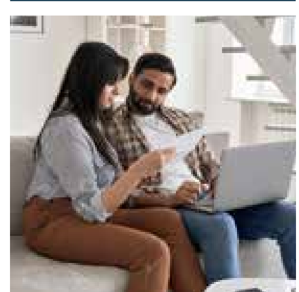
07
HOW TO MAXIMISE THE VALUE OF PENSION SAVINGS
Mistakes to avoid when you're aiming to build your pension pot

08
LEAVING A TAX-EFFICIENT LEGACY
Considering the rule of seven when making financial gifts

09
PREPARING YOUR FINANCES FOR RETIREMENT
Could market volatility and inflation mean you have to delay retirement?

10
SOLVING INVESTOR CHALLENGES
How to take less risk when investing





INSIDE **THIS ISSUE**

Welcome to our latest edition of *Intelligent Wealth*. Around half of UK adults (51%) have or know someone who has received a suspicious communication in the last 12 months, according to new research. This equates to 27 million people across the UK. Most of these cases can be described as 'phishing scams' (51%), when a fraudster attempts to imitate a legitimate company or person to secure important information from the victim. On **page 06** we provide 10 tips to help you identify and avoid financial scams.

You've worked to build up your wealth. But now it's time to make plans so your loved ones can get the most from the estate you intend to leave behind. If you think you might be affected by Inheritance Tax, it can be tempting to hold off making plans to do anything about it. But the truth is that it's better to plan earlier for Inheritance Tax. On **page 08** we consider why estate planning is an essential element of preparing your finances for when you are no longer around but want to make sure that as much of your estate as possible is exempt from Inheritance Tax.

There are a number of strategies that individual investors can use to take less risk when investing.

Diversification is one approach that can help to mitigate the effects of volatility in any one particular asset class. On **page 10** we look at how diversification is a key principle of sound investing, as it allows investors to spread their risk across a number of different investments. This reduces the likelihood of experiencing heavy losses from any single investment.

It's never too early to start planning for retirement. But if you're nearing retirement, it's especially important to have a plan in place in case market volatility or inflation impacts your desired retirement timeline. Some people assume that they will be able to retire on time, regardless of what the stock market or inflation rates are doing. However, this is often not the case. Read the full article on **page 09**.

A full list of the articles featured in this issue appears opposite.

LET FAIRSTONE CHART YOUR PATH THROUGH LIFE

Our experienced team can help you chart your path through life. They'll ensure you are financially ready for every stage – from getting your own place to funding your children's education before anticipating a comfortable retirement. Once we're sure that we understand the life goals that matter most to you, we'll recommend a plan to help you get there. To discuss your concerns or requirements, please contact Fairstone. We hope you enjoy reading this issue.

Lee Hartley
CEO Fairstone

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up and you may get back less than you invested. Past performance is not a reliable indicator of future results. The Financial Conduct Authority does not regulate tax advice, estate planning, or Will writing.

PASSING WEALTH DOWN THROUGH THE GENERATIONS

MILLIONS OF RETIREES HELP OUT IN COST-OF-LIVING CRISIS

The rise in the cost of living is affecting millions of people. A third of young adults (18-34) and families with young children are struggling financially. Many are turning to family and friends for help with day-to-day expenses such as utility bills, housing costs and childcare, according to new research[1].

One striking aspect is the extent to which grandparents are stepping in with thousands of pounds of support and helping grandchildren with housing deposits in addition to everyday expenses.

OPTIONS AVAILABLE

It's understandable why grandparents want to help their family and pass wealth down through the generations. When doing this, there are a number of options available, each with different advantages and disadvantages.

Gifting money early can reduce Inheritance Tax liabilities and a grandparent can gift up to £3,000 a year without being added to the value of their estate. Currently, a couple could therefore gift £6,000 a year. If some or all of it was invested in a pension it would receive tax relief.

GIFTING MONEY

Grandparents interested in helping a grandchild save for a house could also consider saving into a Lifetime ISA (LISA). Only the child/grandchild, as the account holder, can open and manage their LISA but it's possible to gift money to an account holder to pay into their LISA.

Those helping grandchildren, the research highlighted, gave £15,000 on average, while 10% gave over £50,000. The main reasons grandparents helped out grandchildren financially were to help with day-to-day costs (43%) and help with bills (37%). One in four (24%) grandparents gave money to help their grandchildren buy a house.

SAVING FOR A CHILD OR GRANDCHILD

Parents and grandparents have several options when saving for a child or grandchild. Choosing the right one can make a big difference.

CONTRIBUTING TO A PENSION

Although most people won't set up a pension until they reach working age, a Junior Self-Invested Personal Pension (SIPP) can be started as soon as someone is born. In addition, any contributions made by a parent or grandparent, which can be made directly to the plan as 'third-party contributions', will be treated for tax relief purposes as if they were made by the beneficiary themselves.

This means that contributions paid to a 'relief at source' scheme will currently receive tax relief of 20% (£20 for every £80 net contribution) as long as the gross contributions do not exceed the beneficiary's relevant UK earnings for the tax year or £3,600 if more.

In addition, where a beneficiary has paid income tax at a higher rate, they will be able to claim the difference directly from HM Revenue & Customs through self-assessment, so a further 20% for a higher rate (40%) tax payer on some or all of the contributions.

Although a child under the age of 18 is unlikely to have relevant UK earnings, total contributions up to the 'basic amount' of £2,880 net (£3,600 gross) can be made each year and will still benefit from tax relief.

Pension contributions can be one of the more tax-efficient ways to gift money to a child or grandchild, but the money is likely to be inaccessible until they reach age 57 (normal minimum pension age is rising from 55 to 57 in April 2028).

LIFETIME ISAS (LISAS)

If the child or grandchild is aged between 18 to 40, helping them save into a lifetime ISA (LISA) can be beneficial, especially if they are trying to raise a deposit for a first home. This is because the government will add a 25% bonus to subscriptions of up to £4,000 a year (i.e. £20 for every £80 subscribed).

However, if withdrawals are made for any purpose other than purchasing a first home, a tax penalty of 25% (i.e. £25 on a withdrawal of £100) will apply unless the individual is terminally ill or aged 60 or above. Since the tax penalty exceeds the initial bonus, it is normally not the most tax-efficient investment if the penalty is likely to be incurred.

Only the child or grandchild, as the account holder, can open and manage their LISA but it's possible to gift money to an account holder to pay into their LISA.

TRUSTS

For those who want more control over how money is spent, setting up a trust can help ensure any investment is used appropriately. There are a wide variety of trusts that can be used to meet individual requirements. ■

WANT TO DISCUSS HOW TO INVEST FOR YOUR CHILDREN OR GRANDCHILDREN?

All parents and grandparents want to give their children or grandchildren the best possible start in life. When it comes to investing for a child's future, putting aside just a small amount of money on a regular basis can really add up. So, are you ready to start saving? To find out more, please get in touch.

Source data:

[1] Research from LV= highlights how millions of people have helped friends and family financially in the past six months. The LV= Wealth and Wellbeing Monitor – a quarterly survey of 4,000 UK adults – reveals that many people struggling with everyday living costs are turning to family and friends for support 23/08/22.

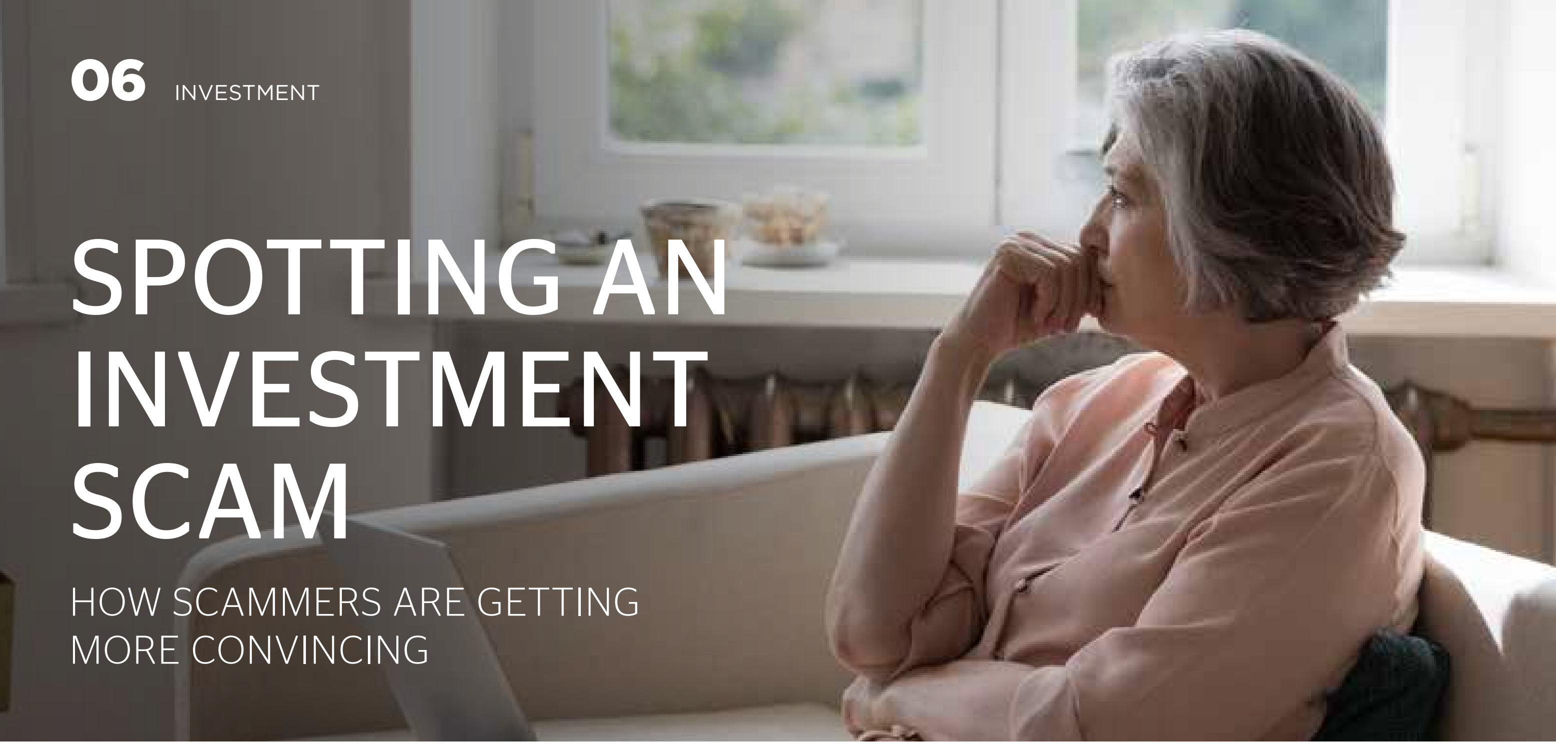
A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAXATION AND TRUST ADVICE. TRUSTS ARE A HIGHLY COMPLEX AREA OF FINANCIAL PLANNING.



SPOTTING AN INVESTMENT SCAM

HOW SCAMMERS ARE GETTING MORE CONVINCING

Around half of UK adults (51%) have or know someone who has received a suspicious communication in the last 12 months, according to new research[1]. This equates to 27 million people across the UK.

Most of these cases can be described as 'phishing scams' (51%), when a fraudster attempts to imitate a legitimate company or person to secure important information from the victim.

PENSION TRANSFERS

Crypto scams are also becoming worryingly common, with one in five reporting they or someone they know has received one in the last 12 months.

Pension transfer scam communications account for almost one in ten (8%) of contacts, while romance scams or dating scams are similar at 11%.

SCAMMER APPROACHES

Around a fifth (21%) of those who have or know someone who has been contacted say they have lost money because of approaches by scammers. However, among 18 to 34-year-olds, this increases to almost half (46%).

The average loss to scams for themselves/someone they know was around £207, with this amount almost doubling to £361 for those aged 18 to 34 years old, compared to £112 for those aged 55+.

PERFECT OPPORTUNITY

With many families struggling to make ends meet, and as the cost of living squeeze tightens, offering easy access to your pension might seem the perfect opportunity to dig yourself out of trouble. The reality is you can't access your pension savings before the age of 55, so it's very likely it will be scammers.

Follow the simple rule of thumb: if it appears too good to be true, it inevitably is. Simply walk away, hang up or delete the email or text to keep your money safe from the scammers.

- 51% of UK adults – 27million people – have received or know someone who has received a suspicious communication in the last 12 months
- Younger people are more likely to know someone who has lost money, and are aware of someone losing more than older generations
- Almost one in ten (8%) communications relate to pension transfers

10 TIPS TO HELP IDENTIFY AND AVOID FINANCIAL SCAMS

1. If you receive an offer to help you access your pension savings before age 55, for example, through 'pension loans' and 'free pension reviews'. It is only possible to access your pension before age 55 in rare situations, for example, if you are very ill.

2. Warnings that the deal is limited and you must act now. This is a pressure tactic and making any financial decisions should not be done under pressure.

3. HM Revenue & Customs (HMRC) will never contact you by email, phone or text informing you of a tax refund, so simply delete or ignore any contact made this way – HMRC will only contact you via post.

4. You are discouraged from seeking professional financial advice or talking to Pension Wise.

5. Sign up for Action Fraud Alert, a free service provided by the National Fraud Intelligence Bureau. The service alerts about new types of crime or those which are increasing in their severity. If you sign up, you will receive those alerts which are relevant to you. https://www.actionfraud.police.uk/sign-up-for-action-fraud-alert

6. Contact by somebody who is not on the Financial Conduct Authority (FCA) Register. The Register is a public record of all the regulated firms and individuals in the financial services industry, including pension providers and investment companies https://register.fca.org.uk/

7. Be very cautious around any recommendation to take a large amount of money, or your whole pension pot, in a lump sum and invest it elsewhere, for example, in overseas property, forestry, car parking or storage units. And be very wary of unsolicited offers of 'amazing investment returns'.

8. Seek advice from your professional financial adviser who will be able to explain the rules and tax implications of different options and help you make the best choices for your personal circumstances, so be very suspicious if this is discouraged.

9. There can be significant tax implications if you choose to cash in your pension in one go, so check the tax position before you make any decisions.

10. Check www.fca.org.uk/scamsmart for known scams and use the tools to help identify a potential scam. ■

LOOKING FOR FINANCIAL ADVICE?
We know you'll have different priorities for your wealth at different points in your life. Whatever your financial aims, we have the expertise that can help you achieve them. Please contact us to discuss your plans.

Source data:
[1] Source: Research among 2,000 UK adults conducted by Opinium, with fieldwork between 12–16 August 2022.

HOW TO MAXIMISE THE VALUE OF PENSION SAVINGS

MISTAKES TO AVOID WHEN YOU'RE AIMING TO BUILD YOUR PENSION POT

Many people are feeling the pressure on their finances at the moment due to the backdrop of rising inflation and the cost of living soaring. In these circumstances, it can be difficult to think about your long-term finances or even contemplate saving for the future.

However, even in the current climate there are ways to maximise the value of any pension savings you do have. By sidestepping seven common mistakes, you could take your pension planning to another level and reduce the risk of falling short of money later.

SIMPLE RULES TO FOLLOW WHEN RETIREMENT PLANNING AND MISTAKES TO AVOID

DON'T TURN DOWN MONEY FROM YOUR EMPLOYER

When offered the opportunity to join a workplace pension, it's nearly always a good idea to do so. For most people, your employer must automatically enrol you in a workplace pension scheme, and you may even be offered a pension plan if you don't meet the criteria.

Workplace pension schemes are made up of your own payments (5% or more of earnings), which are deducted from your salary, in some cases before you pay tax, making it easier to save, and your employer's contribution, which at the very least, must be equivalent to 3% of your qualifying earnings. Many employers offer more than this or match any extra payments you make, so it's worth checking if you're getting the most out of this valuable benefit.

DON'T SAY 'NO' TO EXTRA MONEY FROM THE GOVERNMENT

Anyone who decides against investing in a workplace or personal pension also turns down help from the government. That's because in order to encourage people to save for retirement, the government provides a top-up called 'tax relief' to pension payments. How you receive this tax relief depends on the type of plan you have and the rate of income tax you pay.

But as an example, if you're a basic rate taxpayer saving into a personal pension in the current tax year, you receive 20% tax relief on your payments. So, if you pay £200 a month into your pension plan, the £40 of tax relief you receive on that payment means it will only cost you £160. Higher rate or additional rate taxpayers could claim back even more.

Some workplace pension schemes offer tax relief in a different way, such as through salary sacrifice or exchange schemes, so check with your employer if you're not sure how this works for you. And in Scotland, the tax relief details differ slightly. But in all these cases, the general point is the same: each time you defer paying into a pension plan, you miss out on an extra boost.

DON'T EXPECT THE STATE PENSION TO COVER EVERYTHING

Another common mistake is to assume that the State Pension will meet your retirement needs. However, it's important to know that the State Pension won't be available until your late 60s and may not cover all of your outgoings.

Currently, pensioners who are entitled to the full new single-tier State Pension receive £185.15 a week in 2022/23, worth £9,627.80 for the year. But remember that what you get depends on your National Insurance record, so you could get less.

Pensioners that reached state pension age before April 2016 and receive the basic state pension get £141.85 a week, or £7,376.20 a year.

DON'T LOSE TRACK OF YOUR PENSION PLANS

It has never been more important to keep track of all your old pensions plans. You are at most risk of having lost track of a pension if you have changed jobs multiple times, moved home often and not updated your pension providers or opted out of SERPS (the State Earnings-Related Pension Scheme) in 1980s or 1990s.

DON'T ASSUME THAT THE MINIMUM IS ENOUGH

Auto-enrolment has boosted the pension savings of millions of people but the 8% minimum payment may not get you the retirement lifestyle you want. It's important to therefore have a retirement lifestyle in mind. We can discuss with you how much money you could have in your pension pot in the future, so you can ensure that you don't find yourself in a situation whereby you have an income shortfall.

DON'T LEAVE YOUR PENSION POT UNLOVED OR NEGLECTED

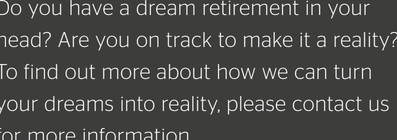
You might not want to talk about your pension plan every day, but dismissing pensions as boring is a mistake, and one that becomes increasingly serious over time. While this might be difficult at the moment, steps such as topping up your payments, especially in your 20s, 30s or early 40s, can make a large difference, thanks to the snowball effect of compounding.

Knowing whether it's workplace or private, understanding how to get more 'free' payments from your employer or the government, or using it to pay less tax (such as through bonus sacrifice) could make a major difference to your long-term finances.

DON'T SUPPOSE THAT ONE PENSION PLAN IS THE SAME AS ANOTHER

A related mistake is not knowing where your pension pot is invested, whether that matches your life-stage and priorities or how to choose the right investment options. For example, if your retirement is still some years ahead, you could potentially afford to take a little more risk. Conversely, you may want to dial down the risk as you get nearer to retirement. ■

IT ALL STARTS WITH A FINANCIAL PLAN, TO HELP BRING YOUR GOALS TO LIFE



Do you have a dream retirement in your head? Are you on track to make it a reality? To find out more about how we can turn your dreams into reality, please contact us for more information.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS

LEAVING A TAX-EFFICIENT LEGACY

CONSIDERING THE RULE OF SEVEN WHEN MAKING FINANCIAL GIFTS

You've worked to build up your wealth. But now it's time to make plans so your loved ones can get the most from the estate you intend to leave behind. If you think you might be affected by Inheritance Tax, it can be tempting to hold off making plans to do anything about it. But the truth is that it's better to plan earlier for Inheritance Tax.

Estate planning is an essential element of preparing your finances for when you are no longer around but want to make sure that as much of your estate as possible is exempt from Inheritance Tax. Current thresholds are frozen until at least 2026, so it's likely more estates could trigger a 40% Inheritance Tax bill over the coming years.

INHERITANCE TAX PLANNING OPTIONS

On your death, the first £325,000 nil-rate band (2022/23) of your estate is exempt from the 40% Inheritance Tax. However, you can also make financial gifts that will reduce the value of your estate when you die. For those who have accumulated a reasonable amount of wealth and who have children, the seven-year rule can be taken full advantage of.

This is one of the most popular, and cost-effective, Inheritance Tax planning options relating to gifting some of your wealth to loved ones before you die. The idea being that the people who matter to you most could start to benefit from some form of inheritance earlier.

GIFT REDUCES EACH YEAR

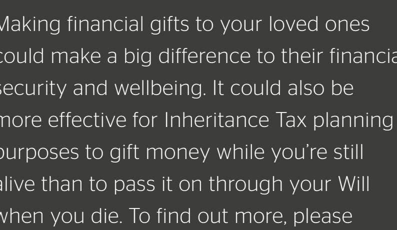
It also reduces the value of your estate. Meaning, when it's assessed for Inheritance Tax, your potential liability could prove lower. Or, even better, you don't have one at all. In order for bigger financial gifts to be fully exempt from Inheritance Tax, you need to live for at least seven more years. If you die within seven years of making the gift, it is still considered part of your estate and it will be included in your Inheritance Tax assessment.

If you die between three and seven years, you would still have to pay some tax on the gift if it exceeded the available nil-rate band. The amount payable on the gift reduces each year once you have survived the gift by over three years. Only after seven years is the full gift no longer part of your estate for Inheritance Tax purposes.

PERIOD OF YEARS BEFORE DEATH	% REDUCTION (TAPER RELIEF)
0 - 3 years	Nil
3 - 4 years	20%
4 - 5 years	40%
5 - 6 years	60%
6 - 7 years	80%
More than 7 years	No tax

There are many ways you might be able to reduce (or even eliminate) a potential liability. But the longer you wait, the more expensive some of these options might prove.

It goes without saying that none of us knows when our time will come. That's why it can really help to start making plans now. Doing so could help you maximise the amount of inheritance you leave to loved ones. ■



WANT TO START A CONVERSATION?

Making financial gifts to your loved ones could make a big difference to their financial security and wellbeing. It could also be more effective for Inheritance Tax planning purposes to gift money while you're still alive than to pass it on through your Will when you die. To find out more, please contact us for more information.

INHERITANCE TAX PLANNING IS A HIGHLY COMPLEX AREA OF FINANCIAL PLANNING.

INFORMATION PROVIDED AND ANY OPINIONS EXPRESSED ARE FOR GENERAL GUIDANCE ONLY AND NOT PERSONAL TO YOUR CIRCUMSTANCES, NOR ARE INTENDED TO PROVIDE SPECIFIC ADVICE.

PROFESSIONAL FINANCIAL ADVICE SHOULD BE OBTAINED BEFORE TAKING ANY ACTION.

INHERITANCE TAX PLANNING IS A HIGHLY COMPLEX AREA OF FINANCIAL PLANNING. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE INHERITANCE TAX PLANNING.

PREPARING YOUR FINANCES FOR RETIREMENT

COULD MARKET VOLATILITY AND INFLATION MEAN YOU HAVE TO DELAY RETIREMENT?

It's never too early to start planning for retirement. But if you're nearing retirement, it's especially important to have a plan in place in case market volatility or inflation impacts your desired retirement timeline.

Some people assume that they will be able to retire on time, regardless of what the stock market or inflation rates are doing. However, this is often not the case. Market volatility and inflation as we've seen over recent months can have a significant impact on the cost of living in retirement, and they can also affect how long your savings will last.

With a little planning and forethought, you can make sure that you're prepared for whatever the future may hold so that market volatility and inflation do not derail your retirement plans.

DO YOU UNDERSTAND WHAT YOU HAVE?

It's important to understand what you have and where your income will come from, so that you can make the most of it in retirement. Your retirement income can come from a variety of sources, not just your pension savings or any income you'll receive from final salary-type pensions (also known as 'defined benefit' pensions).

Other sources of retirement income could include: the State Pension, which will give you a welcome top-up when you're eligible – currently age 66, although this will rise in the future; annuities (a guaranteed income for life, usually bought with pension savings); drawdown (where you keep your pension invested and take an income from it, while the investment continues to grow); workplace pensions (such as a company or occupational scheme).

You might also have Individual Savings Accounts (ISAs), other savings and investments, or rental income from property you let out.

IS THIS ENOUGH FOR THE FUTURE YOU WANT?

Once you know what you have, think about what you'll need in the years to come and how long that may have to last. Remember that retirement could be three to four decades. That's why it's important to have a plan in place that can cover your costs, no matter how long you live.

You need to consider when thinking about your future needs that, over time, the cost of living tends to go up. In order to keep up with inflation, you'll need your savings and investments to grow at a similar rate. This way, your money will be able to buy just as much in the future as it does today.

One of the biggest risk factors in retirement is outliving your money. This is especially true if you don't have a pension to supplement your income. That's why it's important to make sure your savings will last as long as you need them to.

EXPLORE ALL YOUR OPTIONS

Even if you've seen the value of your pensions and investments fall that doesn't necessarily mean that you'll have to delay your retirement altogether. The good news is that there are steps you can take to help ensure that your retirement savings will last as long as you need them to. These include diversifying your investments, staying invested for the long term and being mindful of expenses. You could also consider flexi-retirement, which means staying with your current company with reduced hours, or take a new part-time job, meaning you're less reliant on your pension for income.

You could take less from your pension savings and investments until their value recovers and use other savings instead to bridge the gap. Also, if you have any income from final salary pensions, you'll receive a guaranteed amount each year. And this will generally increase each year too, as will your State Pension once you start receiving this. ■

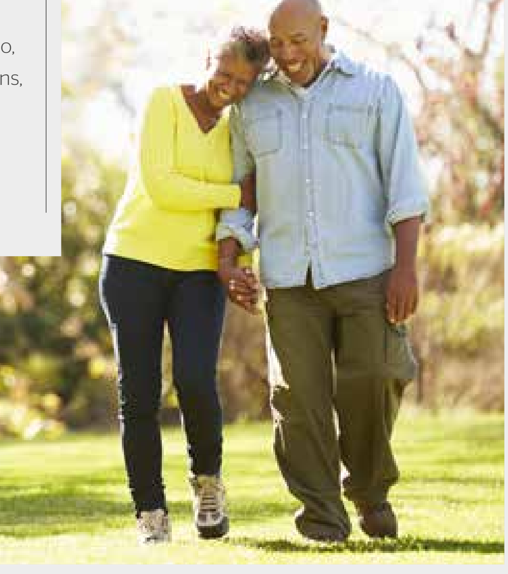
IT'S GOOD TO TALK – WE'LL HELP YOU UNDERSTAND YOUR OPTIONS

If you're nearing retirement age and are concerned about how market volatility and inflation could impact your retirement, we can help you understand and offer guidance on how to adjust your plans accordingly. For more information, please contact us.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.



SOLVING INVESTOR CHALLENGES

HOW TO TAKE LESS RISK WHEN INVESTING

There are a number of strategies that individual investors can use to take less risk when investing. Diversification is one approach that can help to mitigate the effects of volatility in any one particular asset class.

Diversification is a key principle of sound investing, as it allows investors to spread their risk across a number of different investments. This reduces the likelihood of experiencing heavy losses from any single investment. There are a number of different ways to achieve diversification in an investment portfolio. One way is to invest in a variety of different asset classes.

MAIN ASSET CLASSES

There are four main asset classes when investing: cash, fixed income, equities and property. Each has different characteristics which can make them more or less suitable for different investors, depending on their individual circumstances and investment objectives.

Cash is the most basic form of investment and generally offers the lowest returns. Fixed income investments, such as bonds, are typically seen as being less risky than equities but offer lower potential returns. Equities (or stocks) are ownership interests in businesses and offer the potential for higher returns but also come with a higher degree of risk. Property can provide a steady income stream from rental payments but is also subject to market fluctuations.

GROWTH AND VALUE STOCKS

Investors can spread their money across different asset classes in order to diversify their portfolios and reduce risk. This is because different asset classes tend to perform differently at different times, meaning that an investment in one asset class may offset any losses made on another. Another way to diversify is to invest in a variety of different geographical regions.

When it comes to choosing between growth and value stocks, there is no right or wrong answer. It all depends on the investor's investment goals and risk tolerance. If investors are willing to take on more risk for the potential of higher returns, then growth stocks may be a good option. But if investors are looking for stability and income, then value stocks may be a better option.

STABILITY AND INCOME

Growth stocks are those that are expected to experience above-average growth in terms of earnings and revenue. These companies are typically young and innovative, with high potential for future growth. They are usually more volatile than other stocks, which means they can be more risky investments.

Value stocks, on the other hand, are those that are considered to be undervalued by the market. These companies may not be growing as quickly as others, but they tend to be more stable and offer investors a chance to earn dividends. Value stocks can be a good choice for investors who are looking for stability and income.

WAYS TO DIVERSIFY YOUR INVESTMENT

YOU CAN DIVERSIFY BY:

Asset class – spread your investment across the four main asset types; cash, bonds, property and shares.

Region – invest in the UK and overseas so that you're not limiting your investment to one country.

Industry – invest across a variety of sectors such as energy, financial services and healthcare, so you're less exposed to one type of company.

Investment style – create a balance of funds. Investors could choose some companies with good growth opportunities and others that offer value or recovery. This creates a blend of companies with solid but average profits and those with the potential to recover and make stronger profits in the years ahead.

SMOOTHING MARKET FLUCTUATIONS

Investors can also use pound-cost averaging to help reduce the effects of market volatility and investment risk. The basic principle is simple. Instead of investing a lump sum all at once, the investor splits the sum into smaller amounts and invests these over a period of time.

This has the effect of smoothing out market fluctuations, as each investment is made at a different price. Over time, this can help to reduce the overall cost of the investment and increase the chances of achieving a positive return. Of course, pound-cost averaging does not guarantee success, but it can be a useful tool for managing risk in volatile markets.

HELPING INVESTORS REDUCE THE RISK

By doing this, investors also have the potential to buy more shares when prices are low and fewer shares when prices are high. As a result, pound-cost averaging can help investors reduce the risk of buying shares at an inflated price.

No matter what method an investor uses to reduce investment risk, it is important to remember that no investment is completely risk-free. ■

TAKING THE COMPLEXITY OUT OF MANAGING YOUR OWN PORTFOLIO

We are committed to delivering the best possible performance for our clients' long-term success. Our goal is to take the complexity out of managing your own portfolio and provide in-depth advice on making the most of your investments. To find out more, speak to us to discuss your options.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

Fairstone Financial Management Ltd (05574120) is authorised and regulated by the Financial Conduct Authority - FRN: 475973. Fairstone Wealth Management Ltd (03593750) is authorised and regulated by the Financial Conduct Authority - FRN: 188596. Both are registered in England and Wales. Registered Address: 1 The Bulrushes, Woodstock Way, Boldon Business Park, Tyne & Wear, NE35 9PF

*All Trustpilot references are correct as of 01/11/2022.