THOMSON COOPER
ACCOUNTANTS

Planning Your Future Finances
Part 2

In the last article, Richard Libberton, one of our experienced Chartered Financial Planners, explained how a financial Spring clean of all your old correspondence would help you to declutter. Now that you have dug out those statements, this time we take a closer look at what you have uncovered.

Richard Libberton

Check what you have

Once you have streamlined your paperwork, it's worth considering what you have. I previously mentioned the importance of having a plan. Not only is it important to reflect on how these fit in with your goals, but you should also **consider where you are invested.**

If you have an old workplace pension, is it invested in a lifestyle strategy? Such strategies were designed with annuity purchase in mind at retirement age and automatically adjust the asset mix as you near retirement. **If you are not intending on purchasing an annuity, it may make sense to address this imbalance now.**

Does the investment fit with the level of investment risk that you are comfortable with, or that you can financially afford to bear? Do you know where you are invested? Which regions, which companies and stocks do you hold and are these companies aligned with your own values?

The last few years have seen a rise in interest in funds with an Ethical, Social and Governance themes ('ESG'). **ESG is a broad catch-all term for socially responsible funds** which seek to benefit society in the long term, through driving positive change.

Perhaps the global pandemic and increased reporting of the global climate emergency has sharpened our collective focus on the fragility of our planet? Whatever the reason, we at **Thomson Cooper are having deeper conversations with our clients on where their investments are held and how this fits with their own preferences.** Perhaps this is a good time to take a closer look at the funds you hold?

Check your state pension position

The full new state pension from April 2020 is £175.20 per week. How much you get depends on how many years of National Insurance Contributions you have paid over your working life. To qualify for the full amount, you must have a record of 35 years contributions.

This is not the full story, however. **What you get depends on whether you built up entitlement under the previous state pension regime and whether you had employment which 'contracted-out' of the state pension rules.** If you have any gaps in your national insurance history then this will be factored into the calculations too. The good news is that it is quite easy to check out what you should get by visiting the Government's website: Check your State Pension forecast - GOV.UK (www.gov.uk)

You should also establish when you are entitled to take your state pension. **Pension ages have been increasing in line with increasing life expectancy with further increases due.** Do you know when you will qualify and how much you will be entitled to? Will this be enough for you to enjoy the level of retirement that you dream of?

If you have gaps in your national insurance history, you may be able to make these up by making voluntary contributions or by claiming credits that you may be entitled to. If in doubt, seek advice on your options.

Children's Investments

The **Child Trust Fund turned 18 in September 2020**. Do you perhaps have paperwork for a Child Trust Fund, for children born between 1 September 2002 and 2 January 2011? If so, there could be a nice surprise when you check the present value. Child Trust Funds were replaced by Junior ISAs in 2011 but the accounts are still earning returns and will become available once the child reaches 18.

Review your protection policies

The pandemic and subsequent lockdown led to many deciding to re-evaluate their lifegoals and ambitions, with individuals buying second homes in semi-rural areas and investing in camper vans for the staycation experience! **The pandemic has also given many the opportunity to reflect on the protection policies they have in place**, should they become incapacitated and unable to work. Why not take the time and review your policies to see if your life assurance, income protection and critical illness plans are sufficient for your own circumstances, especially if you have indulged and moved home and perhaps extended your mortgage?

Wills and Powers of Attorney

Do you have a will? If so, it is important that you review and take advice on the creation of a power of attorney. Once you have these in place, you can put these to the back of your mind and look forward to the future, safe in the knowledge that your wishes will be taken care of.

Pension Nomination Forms

It's also important that you have **up-to-date nomination forms for your pensions**. If you address this now, then there is no need to worry about what will happen to your pensions. Again, this will bring peace of mind.

Be wary of scams

An investment scam can take many shapes and forms. During the process of researching your investments you may come across opportunities which seem too good to be true. This could be an offer to access your pension early or an offer of a low risk yet high reward unique opportunity. Trust your instincts.

Be extremely wary of any such investment opportunity and always check whether the company has been authorised and is regulated by the Financial Conduct Authority (FCA). **Always seek professional advice before you take any action.**

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Ignore the market noise

There is no denying it has been a turbulent year in the investment markets, with the FTSE100 dropping a staggering 34% from its peak in January to its trough on 23rd March before recovering to a level of 6550 in December 2020*.

Whilst this level of volatility can be frightening, it is worth putting into context. If you are investing for your retirement which could be 30 years away, this event will seem like a mere blip in a historical context. Such volatility can play to your advantage, when making regular contributions to an investment or a pension for instance. This is due to a concept known as '**pound cost averaging' where your contribution will be applied into moving markets from month to month**, giving you a smoother experience than if you attempted to time your way in on any given day.

What is more important is that you have a broad range of asset classes, spread across different geographies, ensuring that you are not exposed to any single sector. Having such a diverse portfolio will allow you ride the peaks and troughs of the investment markets safe in the knowledge that you have not placed all your eggs in the same basket. If you are not confident in selecting and implementing a strategy, take advice from a professional who will also provide a comforting ear when markets fall. Such a professional will help you **remain focussed on your long-term goals** and not let you make any rash decisions that you may regret, such as cashing out at the bottom of the market and missing the subsequent rebound. So, switch off the investment app and do not let the daily news influence your thought processes.

Seek Financial Advice

Having gone through the process of streamlining your paperwork and assessing your financial position for the year ahead, why not speak to an Independent Chartered Financial Planner to see if your **goals are on track or to sense check your thinking**.

The financial planner will provide you with an impartial overall view of your position and help you on the way to reaching your goals and ambitions, using the latest technologies such as real time cash flow planning. Your own personal cash flow brings the whole journey alive for you and allows you to **project into the future and shape the kind of lifestyle that you desire**. Investing your time with a qualified planner could well be the best investment you ever make.

Richard can be contacted at rlibberton@thomsoncooper.com or on 01383 628800 if you need advice on anything covered in this article.

*Source: London Stock Exchange December 2020