LFAMONEYTALK

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Optimise your finances before the 5 April deadline!

You need to act quickly in order to make use of the various allowances and tax reliefs created to encourage us all to take responsibility for our finances.

When it comes to optimising your finances, it is often a question of use it or lose it. In many cases you can't carry forward allowances or tax relief you haven't used by the end of the current tax year (5 April 2017), so you need to act quickly. Here are some of the ways you may be able to make your finances more efficient.

Put your savings in an ISA

An ISA is a savings account on which there is no tax to pay when you withdraw money. Each tax year you can save up to the annual allowance (£15,240 16/17 tax year) in an ISA. You can access your money at any time, although stocks and shares ISAs should be thought of as long-term investments. It is important to choose an ISA that matches your objectives and the amount of risk you are able and willing to take. See our article below and on page 2 about investments for people from all walks of life.

Make tax-efficient pension contributions

The state and your employer's pension will probably provide you with enough money to cover your basic costs. However, if you want to have a retirement free from financial worries you may need to save more. You receive tax relief on your pension contributions up to a certain limit. In effect, the government pays the equivalent of the basic rate income tax paid on your contributions directly into your pension – even if you don't earn enough to pay tax.

Make use of both partners' allowances

If you earn more than your spouse you may be able to transfer some of your annual allowance to them. You can also pay into their pension and their ISA (they will still get the tax benefit). You could also consider transferring other assets.

Optimising your finances if you are older

Check whether there might be inheritance tax to pay when you eventually die. The rise in house prices combined with the new pension rules mean that more people are affected by this. If you are, you can reduce the value of your estate by giving away up to £3,000 each tax year.

Also in this issue

How risky are the family finances?

All of us are exposed to a certain amount of financial risk. For instance, how would you and your family pay the bills if you were unable to work for any length of time, or worse still, if you were to die?

What about your savings? Is their value being eroded by inflation, maybe because you are very cautious about investing?

In this issue of LFA MoneyTalk we look at various aspects of protecting the family's finances against risk.

No single solution

You need to look at your income and savings and work out the risks to which you are exposed and how you could reduce them. For instance could you make better use of the various allowances, etc available to you? Could your savings be more tax-efficient? How can you protect the family's income?

Why not talk to Richard Cakans on 07946 438807 or email richard.cakans@lighthousefa.co.uk? He can help you optimise your finances and secure peace of mind for you and your family.

Tax-efficient investments for everyone!

At last, investment funds that provide people in all walks of life with a better way to invest for their future – and they are available as tax-efficient ISAs.

For most people, assembling an investment portfolio is not something they would feel confident doing on their own, and if they did it would probably be time-consuming and risky. And few people want to risk their hard-earned money.

Yet high quality investment funds should be available to everyone, not just the very wealthy or people with financial knowledge and experience of investing.

That is where Luceo Asset Management comes in. Luceo gives people from all walks of life access to investments made to suit their needs. The Luceo funds are specifically designed to help you achieve your financial goals – and with the help of your financial adviser you choose the level of risk you are prepared and able to take.

Spreading the risk within a single fund

Placing your money in a Luceo fund enables you to gain access to high levels of investment management expertise. Each is made up of a diverse selection of investment funds (known as a fund of funds), giving you instant access to a wide range of high quality investments managed by the most capable managers, all within a single Luceo fund.

Save from just £100 a month

You don't need much to start saving. Regular monthly savings start from £100 and the minimum lump sum investment is £1,000.

Make your savings more tax-efficient

Luceo funds are available as ISAs. Your annual ISA allowance runs out on April 5 (the end of the current tax year), so it is a question of use it or lose it. This tax year you can put up to £15,240 in an ISA, and there won't be any tax to pay on any income or growth when you take your money out.

The Luceo fund managers manage each fund with the aim of keeping it within a defined risk range and generating consistent returns, which should ensure that your investments perform in line with your expectations.

You don't need much to start saving. Regular monthly savings start from £100 and the minimum lump sum investment is £1,000.

Find out more

To find out whether you could make your savings more tax-efficient arrange a no obligation consultation with one of our professional financial advisers.

Call Richard Cakans on 07946 438807 or email richard.cakans@lighthousefa.co.uk.

Risk and your savings

The more risk you take with your savings, the greater the likelihood you will lose some or all of your money. Equally, the more risk you take, the greater the potential for higher returns – but there is no guarantee that you will get these high returns.

Cash deposit accounts are widely considered to be less risky than investment funds. However, what you may not realise is that with interest rates so low, your savings could be losing money in real terms.

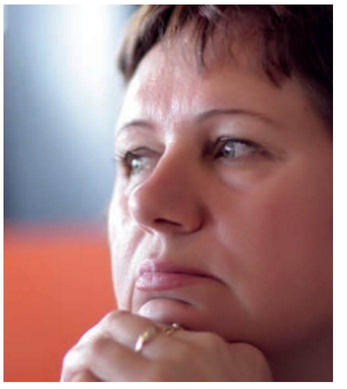
Indeed, placing your savings in share-based assets, such as investment funds, has proved to be the best way of achieving growth that outstrips inflation over the longer term. There is, of course, a risk attached to investing, but your money has more time to recover from any falls in the markets.

It is therefore important to think about your time-scale when selecting a home for your savings. If you have short term objectives or may need to withdraw money quickly your choice would probably not be the same as if you are saving for the longer-term.

Make your savings risk appropriate

Risk comes in various forms – your financial adviser can explain more and help you work out how much risk you are able and willing to take.

Lucy financially secure despite John's untimely death



Most people take out life insurance with their mortgage. However, as John and Lucy's story demonstrates, it is important to review it regularly as you progress through life to make sure that the amount of cover matches the family's needs.

John, an engineer in his mid-fifties, worked for a major infrastructure provider. He was the main bread-winner, as his wife Lucy combined part-time work in retail with bringing up their son Nathan.

Nathan was in his second year of studying medicine. John and Lucy were keen to be able to continue funding him for the remainder of his four year course and ideally carry on helping when he becomes a junior doctor. They had another ten years to go before their mortgage would be paid off.

Lucy would be unable to manage financially
John decided to increase his life insurance cover, which he originally took out with his mortgage, combining it with critical illness cover. He was concerned that, should he fall seriously ill or die before he retired, any lump sum death benefits Lucy would receive from his defined benefits pension would not be enough for her to pay off the mortgage and have enough left to live on.

Despite passing a medical examination with a clean bill of health, two years later John collapsed at home shortly after, sadly dying at the age of 57 from a heart attack. Lucy claimed on John's life insurance policy and received a payout of more than £265,000. She also received a lump sum death benefit from John's pension scheme and a one-off bereavement payment of £2,000 from the state. However it was the substantial life insurance payout that meant she could manage financially, especially as she took time off work following John's death.

Lucy and Nathan free from financial worries
Lucy used the money to pay off the mortgage and, with the help of a financial adviser, invested the remainder with the aim of supplementing her own income. The additional income it generated meant that not only did she have enough to cover regular bills plus a little to spare, but she could also continue to pay for Nathan's studies.

The value of your investments and the income from them can go down as well as up, so you could get back less than you invested.

Find out more

To find out how you and your family could benefit from life insurance arrange a no obligation consultation with one of our professional financial advisers.

Call Richard Cakans on 07946 438807 or email richard.cakans@lighthousefa.co.uk.

Ways of protecting the family's income

Although it is tempting to think that "it won't happen to me," in reality few people get through their working life without being made redundant, having an accident or becoming seriously ill.

Having suitable insurance in place gives you the peace of mind that you and your family won't suffer financially if the worst does happen – and it may cost less than you think.

Here are three of the most common ways of protecting the family's finances:

Life insurance: pays out an agreed sum if you die. You may already have life insurance, either as part of your employee benefits package or as a condition of your mortgage. If you do, you should make sure that the amount it would pay out is enough for your family's needs.

Income protection: pays a regular amount if you are unable to work due to an illness or accident. You may already have it as part of your employee benefits package but you should make sure that it would provide you with enough replacement income.

Critical illness cover: pays a lump sum if you are diagnosed with certain serious illnesses. You may already have critical illness cover as part of your employee benefits package but you should make sure that it covers a wide range of conditions.

No single solution
Most people find that they need more than one sort of insurance to give their family the cover they need. It is worthwhile consulting a professional financial adviser to make sure you are fully covered.

The likelihood of the unthinkable happening

We can never be sure what's waiting for us round the next corner. It could be great – a new job, a new baby or even a lottery win. But sometimes life throws the unthinkable at us, as Marion found out.

Marion is an administrative manager in her forties, married to Simon who is a self-employed graphic designer. They have a ten-year-old daughter, Amy. Both Simon and Marion have taken out life insurance policies to pay off the mortgage but also so that Amy would be financially secure should anything happen to either of them.

Two friends diagnosed with cancer

A non-smoker, Marion was prompted to take out critical illness insurance when one of her friends was diagnosed with breast cancer and another with a brain tumour in quick succession. She had seen the statistics: according to Cancer Research UK one in two people born after 1960 will get cancer at some stage in their life.

At forty-five, Marion was diagnosed with early stage breast cancer. She made a claim on her critical illness policy and received a payment of £25,000. This payment was based on the severity and impact of her illness at that point. Her cancer was not considered to life-threatening, but the amount she received gave the family a financial cushion, allowing her to take time off work for her initial treatment and recovery phase without worrying about money and to arrange things so that Simon's work and Amy's routine were not disrupted.

No financial pressures

Sadly, when Marion had been back at work for eighteen months, her cancer returned, more severely, and she had intensive chemotherapy. This time Marion was off work for much longer. She was able to claim on her critical illness policy, which paid out the remainder of the agreed amount in full. Fortunately, the couple's financial adviser had helped them calculate how much they would need to cover Marion's contribution towards the household expenses plus Amy's education for several years. It is also thanks to his recommendations that the policy paid out twice and for the same illness – not something that all policies offer. Thankfully Marion has now been given the all clear – but she doesn't know how they would have coped without the pay out from her critical illness policy.

Find out more

To find out how you and your family could benefit from critical illness insurance arrange a no obligation consultation with one of our professional financial advisers.

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Are your savings delivering the returns you expect?

Whatever your reason for saving, to celebrate a major anniversary, for your retirement, or to supplement your income, you need to think about how much you could gain and how much you could lose. You also need to work out whether you could cope financially with any loss.

However, the amount of risk you take with your investments will have an impact on the likelihood of achieving your goals.

At Lighthouse Financial Advice, we will help you work all this out and will agree your risk profile with you. This will enable your adviser to recommend investment funds that match your risk profile and your long-term investment objectives.

We use an industry-leading risk profiling system based on a range of 1 to 10, with one being the lowest risk and ten the highest.

The Luceo funds are aligned with these risk profiles. They are managed in a way that gives them every chance of delivering the returns investors expect, given their risk profile. Find out more about the Luceo investment funds on page 2. To find out what your risk profile is arrange an appointment with one of our professional financial advisers.