

Financial Landscape

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Carpenter Rees Ltd

Do you have a financial back-up plan this year?

Be prepared if life throws something unexpected your way



Unforeseen life events and circumstances can potentially impact your finances in a number of ways. Hundreds of thousands of people are diagnosed with cancer each year in the UK, and it is becoming more common among those of working age.

Cancer treatment can cause many to have to work reduced hours or stop working altogether. Sufferers should be able to make getting better their main priority without worrying about job security and financial stability. At a time when welfare reform is resulting in significant changes to benefits such as child and working tax credits, income-based job seeker's allowance, and income support and housing benefits for those renting and with a mortgage – all of which are being replaced by Universal Credit – families need to do all they can to protect themselves in the event of the unexpected happening.

HEADS IN THE SAND

But fewer than one in ten (8%) people in the UK have critical illness insurance, and just a third (34%) have life cover, with many people appearing to bury their heads in the sand when it comes to having a financial back-up plan should serious illness strike, according to research from Scottish Widows^[1].

One in five (21%) people in the UK admit their household would not be financially secure for any length of time if it lost its main income as a result of serious illness. And almost half (47%) admit that

their savings would last just six months or less if they became unable to work, raising concerns over the nation's financial resilience should the unexpected happen.

INCIDENCE RATE INCREASE

Lung cancer is the third most common cancer in the UK, accounting for 13% of all new cases, with 130 new cases being diagnosed every day. It's the second most common cancer in both males and females, with 1 in 13 men and 1 in 17 women being diagnosed with the illness during their lifetime. Pancreatic cancer is the eleventh most common cancer in the UK (26 cases being diagnosed every day), with incidence rates having increased by a tenth over the last decade^[2].

The research also reveals that a lack of planning is leaving many UK households in a vulnerable position. When asked how they'd cope should they or their partner not be able to work for six months, a quarter (24%) of people said they'd rely only on state benefits, and two fifths said they'd rely on savings.

CRITICAL ILLNESS IMPACT

If you were to become seriously ill, would your loved ones struggle to

keep up with household bills and the mortgage? It's essential to make sure that you and your family are financially protected against the impact a critical illness could have. If your family relies on you financially, you should consider this protection to help cover against the impact a critical illness would have.

You would receive a cash sum if you are diagnosed with one of the many specified critical illnesses covered during the length of a policy. The payout could help to cover things such as child care costs and household bills. Or you may want to use the payout to help make adjustments to your home or lifestyle if needed, or to pay for specialist medical treatment – or even to take that trip of a lifetime to help you recover. ■

DO YOU HAVE THE APPROPRIATE PROVISION IN PLACE TO PROTECT YOUR FINANCES?

An alarming number of families could face a significant financial struggle in the event of an unexpected loss of income due to serious illness or death. If the unexpected happened to you, it's crucial to have the appropriate provision in place to protect your finances and provide the peace of mind that there's a safety net in place. To discuss your situation, please contact us.

Source data:

[1] *Scottish Widows' protection research is based on a survey carried out online by Opinionium, who interviewed a total of 5,077 adults in the UK between 16 and 27 March 2017.*

[2] *Cancer Research UK*

THIS IS NOT A SAVINGS OR INVESTMENT PRODUCT AND HAS NO CASH VALUE UNLESS A VALID CLAIM IS MADE. ADVANCES IN MEDICINE AND TECHNOLOGY MEAN THAT TRADITIONAL VIEWS OF CRITICAL ILLNESSES ARE CONSTANTLY CHANGING.

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Financial planning for people and business.

Will you make provision for all that you hold dear?

Getting your affairs in order and planning what you want to pass on to loved ones

Writing a Will may seem daunting – and with everything else we should be thinking about, it becomes just another chore on the to-do list. However, getting your affairs in order and planning what you want to pass on to loved ones – whether it's while you're alive or after you've passed away – is really important. Not only does it mean that your wishes can be carried out, but it can also help reduce the emotional and financial burden on loved ones at an already difficult time.

We all lead such busy lives that it can be easy to put off estate planning, but it's best to take care of this sooner rather than later. It's especially important for cohabitating couples to have a Will, as the surviving partner does not automatically inherit any estate or possessions left behind.

NO WILL IN PLACE

Three in five adults (60%) don't have a Will in place, with a third (33%) not having thought about writing a Will, according to research from Royal London^[1]. Surprisingly, the research also found that a quarter (26%) of those aged 55 and over have not written a Will. Of these, one in six (16%) over-55s with no Will have never even thought about writing one.

Cohabiting couples are less likely to have a Will, with three quarters (77%) not

having written one compared to those who are married or in a registered civil partnership (46%). Single adults (45%) and cohabiting couples (32%) are the least likely to have thought about writing a Will compared to those who are married or in a civil partnership (22%) and those who have separated/divorced (21%).

FEELING MORE PRESSURE

Adults with children feel more pressure to write a Will, with half (48%) saying they have not written a Will but want to write one in the near future. Three in five parents with children under 18 (58%) also haven't chosen guardians for their children in the event of their death.

Making or updating a Will provides the perfect time to talk to your family about inheritance matters. For instance, you can talk about the items you might

like to pass on to them, as well as what they might spend an inheritance on. When people have these conversations, they often discover that they can help their loved ones financially now, rather waiting until they've passed away. As well as being able to see loved ones benefit from some money, this can also help from an Inheritance Tax perspective.

PASSING ON YOUR BELONGINGS

It's not just about wealth. Some people may not think they need a Will because they don't have very much money in the bank or because they don't feel old, but this isn't necessarily the case. You need to decide to whom you want to pass on your home and belongings, such as your car, jewellery and even your pets. It's important to put this information



down in writing so your family and friends can honour your wishes once you've passed away.

Don't assume who will benefit. If someone dies in the UK without a valid Will, their property is shared out according to rules of intestacy, which means your estate can only be inherited by close family (spouse/registered civil partner, siblings, children, parents and aunts/uncles). So, unless you have a Will, intestacy rules could force an outcome that is completely contrary to your wishes.

WRITING A WILL OR REDRAFT

Beware of the revoking rule. Wills are revoked when you marry, so even if you have written a Will to include your spouse or civil partner-to-be before your marriage, you'll need to renew it afterwards. This is also important if you have children from a previous marriage. Although your new spouse would benefit

from your estate through the intestacy rules, your children might not.

You may also want to write a Will or redraft your existing one if you are in the process of separating from or divorcing your partner, because if you die before your divorce is complete, your spouse or registered civil partner can still inherit your estate. ■

MAKING PROVISION FOR ALL THAT WE HOLD DEAR

Writing a Will is fundamental to the financial planning process. It may not be the most exciting of subjects, but it answers one of our most basic desires – to make financial provision for all that we hold dear. There are many things to consider when looking to protect your family and create an effective protection planning strategy. If you would like to find out more, please contact us.

IT'S NOT JUST ABOUT WEALTH. SOME PEOPLE MAY NOT THINK THEY NEED A WILL BECAUSE THEY DON'T HAVE VERY MUCH MONEY IN THE BANK OR BECAUSE THEY DON'T FEEL OLD, BUT THIS ISN'T NECESSARILY THE CASE.

Source data:

[1] YouGov on behalf of Royal London surveyed 2,089 adults between 10 and 11 October 2017. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

Making solid financial resolutions

Grow your money and live the life you want



The New Year is the perfect time to overhaul your life for the better, and one excellent place to start is by making solid financial resolutions that can help get you closer to your money goals, whether it's increasing your retirement savings or setting enough money aside for a down payment on a house.

Investing is not just about what you know but also who you are. The key to successful investing isn't predicting the future – it's learning from the past and understanding the present. Investing offers potential to grow our money, reach our goals and live the life we want. Regardless of the market conditions at the moment, the keys to successful investing are always the same.

CASH SAVINGS VULNERABLE TO EROSION BY INFLATION

Investors often think of cash as a safe haven in volatile times, or even as a source of income. But even though we have seen a recent small rise in interest rates, we're still experiencing a period of ultra-low interest rates which have depressed the return available on cash to near zero, leaving cash savings vulnerable to erosion by inflation over time. With interest rates expected to remain low, investors should be sure an allocation to cash does not undermine their long-term investment objectives.

Cash left on the sidelines earns very little over the long run. Investors who have deposited their cash in the bank may have missed out on the impressive performance that would have come with staying invested over the long term.

Please note that these investments do not include the same security of capital which

is afforded with a deposit account, and you may get back less than the amount invested.

MAKING AN ENORMOUS DIFFERENCE TO YOUR EVENTUAL RETURNS

Compound interest has been called the 'eighth wonder of the world'. Its power is so great that even missing out on a few years of saving and growth can make an enormous difference to your eventual returns.

You can make even better use of the effects of compounding if you reinvest the income from your investments to enhance your portfolio value further. The difference between reinvesting and not reinvesting the income from your investments over the long term can be significant.

BE PREPARED UPFRONT FOR THE UPS AND DOWNS OF INVESTING

Every year has its potential rollercoaster ups and downs. Volatility in financial markets is normal and investors should be prepared upfront for the ups and downs of investing, rather than having a knee-jerk reaction when the going gets tough. The lesson is: don't panic. More often than not, a stock market pullback is an opportunity, not a reason to sell.

INVESTORS SHOULD LOOK TO KEEP A LONG-TERM PERSPECTIVE

Market timing can be a dangerous habit. Pullbacks are hard to predict, and strong

returns often follow the worst returns. However, investors often think they can outsmart the market, which they may later regret. As the saying goes, 'Good things come to those who wait.' While markets can always have a bad day, week, month or even a bad year, history suggests investors are much less likely to suffer losses over longer periods. Investors should look to keep a long-term perspective.

REDUCING RISKS WHILE POTENTIALLY IMPROVING RETURNS

The last decade has been a volatile and tumultuous ride for investors, with natural disasters, geopolitical conflicts and a major financial crisis. Among the most important tools available to investors is diversification. Diversification allows an investor to reduce investment risks while potentially improving investment returns.

A diversified portfolio is typically split across a range of different asset classes, with exposure to different companies, industries and types of market from different regions around the world. In a diversified portfolio, the assets don't correlate with each other. When one rises, the other falls. It lowers overall risk because, no matter what the economy does, some asset classes will benefit. ■

LOOKING TO INVEST FOR INCOME, GROWTH OR BOTH?

Your money lets you do the things you enjoy and take care of the people you love. Besides saving, investing gives potential to grow your money and provide finances well into the future. Whether you are looking to invest for income, growth or both, we can provide the quality advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals. You can call us to arrange an appointment or ask a question.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.