# FinancialLandscape

Summer Issue 2016 Carpenter Rees Ltd


# Brexit

## UK's exit from the European Union after 43 years

The UK's exit from the European Union after 43 years is now set to happen. The vote by a majority of British people to leave the European Union on Thursday 23 June represents a very significant decision for the UK, for the European Union and indeed for the wider global economy. The UK voted to leave the EU by 52% to 48%.

### HIGHEST TURNOUT

The Leave campaign won the majority of votes in England and Wales, while every council in Scotland saw Remain majorities. The referendum turnout was 71.8%, with more than 30 million people voting. It was the highest turnout in a UK-wide vote since the 1992 general election.

### UNSETTLED INVESTORS

But what could this mean to our finances? It goes without saying that investors are going to have to hold on to their nerves through the coming days, months and even years. The markets have clearly been shocked by the decision, and, although unsettled, investors should look through this period of uncertainty and focus on longer-term opportunities.

### ECONOMICALLY STRONG

There will be challenges in the near term, and there is likely to be a period of uncertainty as the exact terms of Britain's exit from Europe are negotiated. There needs to be a period of managing political uncertainty, uniting a deeply divided population and ensuring the UK enters negotiations feeling economically strong rather than weak. The instability that we've experienced once it starts to settle down will mean that investors can focus on the UK's future outside Europe and how it will affect their finances. ■

### MAKE SURE YOUR PLANS REMAIN ON TRACK

The UK's exit from the European Union after 43 years surprised markets. It is important to keep this event in context – this is far from the global financial crisis of 2008. This is a time for investors to concentrate on long-term fundamentals and to remain focused on meeting their investment goals. If you want to discuss your particular situation post-Brexit to ensure that your plans remain on track, please contact Carpenter Rees on 03330 100777 or email hello@carpenter-rees.co.uk.


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Financial planning for people and business.

# Are you fit to retire?

## Getting your pension in shape to enjoy the kind of lifestyle you want in later life

'Will I be able to afford the retirement lifestyle I want?' is a question that many people ask but struggle to figure out. There are many ways to assess your likely income in retirement and how much you need to put away now to enjoy the kind of lifestyle you want in later life.

### TOO COMPLICATED TO THINK ABOUT

Funding a comfortable retirement will be the biggest financial priority for many people, yet some people spend more time planning their holiday than their own retirement – perhaps because planning for retirement seems too complicated to think about?

We know that we want an active, comfortable retirement but often don't know where to start the savings and investment process. The starting point is to obtain professional financial advice and set a plan in motion that is reviewed at least annually to enable you to build the future retirement you want.

### KEY CONSIDERATIONS FOR MOST PEOPLE

Everybody's circumstances are different, but the key consideration for most people when they think about retiring will come down to factors such as whether they're renting, paying a mortgage, have any debt, plan to keep working, and how much money they have saved in pensions and other investments. People estimate that living reasonably comfortably in retirement requires around 50% to 60%[1] of the income you had while you were working.

It's also important to bear in mind that your life changes when you retire – and so does the way you spend your money. The increases in the cost of living with inflation are another important consideration. While the State Pension increases with inflation, income from your pension might not, depending on how you decide to take your money.

### START SAVING FOR YOUR PENSION EARLY

If you start saving for your pension early in your working life, it may be difficult to predict what your needs will be when you retire. Ideally, you should aim to put away as much as you can afford, but don't worry if it's not as much as you'd like to start with. It can be better to save small amounts that have a long time to grow in value. As your income improves, you'll be able to increase how much you put away for your pension.

If you've started to save later in your working life, you may have a better idea of what your circumstances are likely to be which can make it easier to work out what level of income you'll need for your retirement, but you'll have less time to save it up, and the amount of money you'll need to save may be higher.

### ACHIEVING FINANCIAL FREEDOM

Saving for retirement is essential if you want the financial freedom to enjoy your later years. Things to consider include:

1. Deciding how much money you want each year in retirement
2. Calculating how big your pension pot needs to be to give you that income
3. Working out how much you should be saving today in order to build that kind of pension pot value

Government research indicates that people earning around £50,000 or more per year look to achieve a retirement income that is 50% of their current salary. If that doesn't sound like much, remember you're perhaps unlikely to have a mortgage and other big expenses at this stage in your life so you may need a lot less than you do when you're working. The ratio tends to go up for those on lower salaries, as you'd expect.

### KNOW YOUR NUMBER

Next, you want to work out how big your pension pot needs to be in order to achieve the retirement income you want. One rule of thumb is to take the annual retirement income you'd like – let's say it's around £50,000 based on the above – and then multiply that by 20. So in this example, to achieve a retirement income of £50,000, you'd need to build up a pension pot approximately worth in the region of £1,000,000.

### YOUR ANNUAL ALLOWANCE

You can receive tax relief on pension contributions worth up to the lower of 100% of your annual salary or the annual allowance. The annual allowance is currently set at £40,000 for the current 2016/2017 tax year. If the contributions to all your pensions (including all personal and workplace contributions) are more than the annual allowance, you may have to pay a tax charge on anything over the annual allowance based on the highest rate of Income Tax. ■

**Source data:**

*[1] Scottish Widows, October 2014*

### NEED TO BOOST YOUR FUTURE RETIREMENT INCOME?

There are a number of things you can do to boost your future retirement income, wherever you currently are in the planning process. Everyone's retirement needs are different, and planning for your retirement is just like any other kind of budgeting you have to do: it requires calculating some numbers, implementing a plan and continually reviewing it until you reach your goal. To review your current situation or to obtain further information, please contact Carpenter Rees on 03330 100777 or email hello@carpenter-rees.co.uk – we look forward to hearing from you.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

# Return of multi-generational households

## Two in three agree living with family is beneficial

Multigenerational households could be set to grow in popularity as property costs continue to rise. A new report from Aviva suggests that based on the rate of growth seen in the past 10 years – and assuming house prices will continue to rise – there could be 2.2 million people living in multi-family households and 3.8 million 21–34-year olds living with their parents by 2025.

However, rather than being a negative trend, two in three (66%) people currently in this living situation say the benefits far outweigh the disadvantages according to the inaugural 'Home' report which focuses on the changing face of UK households.

### HOUSE PRICES AND MULTI-LIVING INCREASE TOGETHER

Average UK house prices rose 52% between 2005 and 2015, up from £184,000 to £279,000[1].

At the same time, the number of adult 'children' living with parents has also grown considerably. In 2015, there were an estimated 2.8 million adults aged 21–34 living with their parents – the equivalent of 23% of people in this age group[2]. This is an increase of 32%, or more than half a million (684,000) people since 2005.

In addition, ONS data on multi-family households** also shows a 46% increase in the number of people living in this type of household between 2005 and 2015, up from 1.1 million to 1.5 million[3].

Affordability of housing appears to play a huge role in people's decision to stay living with family or moving back in with them. When asked about situations when they might consider this living arrangement for six months or more, saving for a house deposit (57%) was the second most common reason given, beaten only by caring for an unwell relative (71%).

### MULTIGENERATIONAL LIVING PROVIDES CONSTANT COMPANY AND CHEAPER LIVING COSTS

While two in five (42%) of all UK adults believe living as part of a multigenerational household would be a positive arrangement, this rises to 66% of those already living in this type of household, suggesting there is a gap between people's perceptions of multigenerational living and the reality.

Those living in a multigenerational household say the main benefits are: other people being around for company (72%), cheaper shared living costs (62%) and more people to share chores (56%). Only 12% of those already in a multigenerational household say the disadvantages outweigh the benefits, compared to 21% of all UK adults.

Multigenerational living is often seen as a necessity rather than a choice, particularly when adults are forced to move back in with family to help save for long-term goals like buying their own house. But rather than being an inconvenience, our report shows it is often a positive experience, with shared living costs reducing financial strain and the added benefit of constant company.

If house prices continue to rise at their current rate, we can expect the number of multigenerational houses to continue to grow. What we need from our properties – and how we go about protecting them – will also adapt as the UK's way of living evolves. ■

**Source data:**

*Methodology: Based on a nationally representative survey of 2,000 UK adults aged 16 and over, carried out by Censuswide in April 2016.*

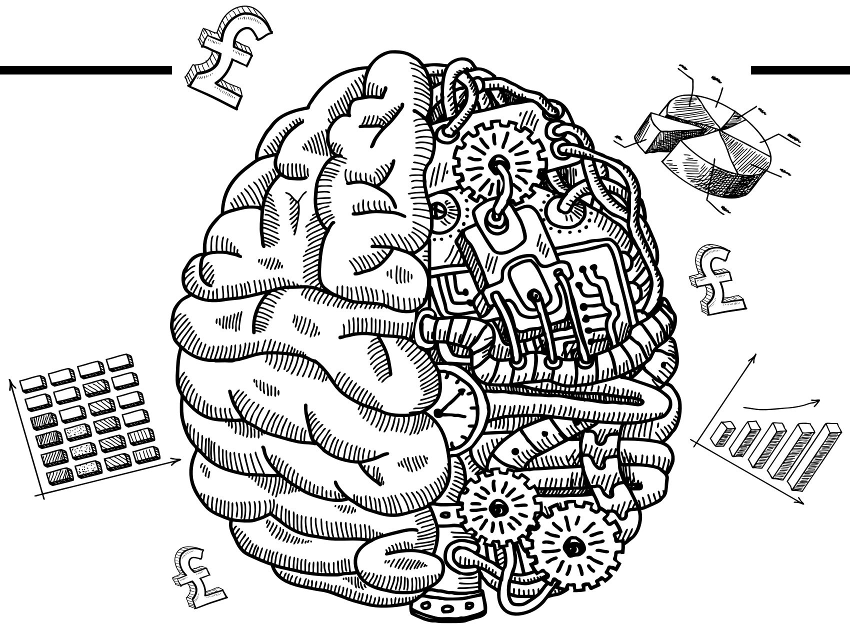
** With two or more generations living under the same roof.*

*** Classed as a household containing two or more families, for example a married couple living with their elderly parents.*

*[1] ONS House Price Index, Annual Tables (mix-adjusted prices)*

*[2] ONS Young Adults Living with their Parents data (November 2015) 2005 = 2,161,000, 2015 = 2,845,000*

*[3] ONS Families and Households data (November 2015). 2005 = 1,050,000, 2015 = 1,537,000*



# Advice with you in mind

## One of the most important relationships you may ever have

Few people really have the time to understand the significant number of financial products on the market at any time. If you're looking to invest, buy a protection product or plan for the longer term, expert professional financial advice is essential to help enable you to create a financial plan that is realistic.

One of the most important relationships you may ever have is the one with your professional financial adviser. The advice process allows you to assess your financial goals, investment time frame and tolerance for risk, and to monitor these over time. In addition, you obtain guidance in times of market downturns and personal financial stress, ensuring that your strategy is tailored for your changing needs and circumstances.

### INVESTMENT CHOICES

With a vast array of products and information available, the thought of wading through and choosing an investment can be quite daunting. In addition, considering the busy lives we lead, it can be difficult to find the time to keep fully up to speed with everything that's going on. We help you to make an informed decision based on your investment objectives, understand which products are available and select the best options to suit your investment needs.

### RISK AND RETURN

Investing is as much about managing the potential downside as it is about looking for potential gains. Typically, investments with the potential for a higher return also carry a higher risk due to the more volatile sectors and regions that are targeted. We explain the risk and return trade-off and gauge your attitude towards risk for return. From this, we can ensure that your portfolio has the right balance of risk by diversifying across asset classes, regions, providers and products as appropriate.

### EXTRACTING INFORMATION

Understanding the jargon used within the financial industry and extracting the important information can be difficult and time-consuming. We help you to translate current events and bring out hidden facts in seemingly endless product literature. So whether you want to understand the implications of interest rate increases or a change in pension freedoms legislation, we'll discuss how each issue could directly affect you.

### CONTINUAL REVIEWS

As time passes, both markets and your lifestyle can change dramatically. This consequently means that it is important to keep your investments under continual review so that you can get the most out of them. Anything in your life, such as your age or personal situation, could potentially affect the requirements you have for your investments. We'll assist in reviewing and, if necessary, adjusting your portfolio to help it meet your evolving needs.

### UNFORESEEN EVENTS

With markets constantly on the move and unforeseen events sometimes having significant impacts, the need for ongoing adjustments to your investments can be extremely important, and staying on top of this can be a full-time job which very few of us have time for. Taking this important responsibility off your hands and putting it with us can help you to feel more confident that your investments are in the best place for your individual requirements. ■

### ARE YOU BUILDING THE FUTURE YOU'VE DREAMED OF?

Whether your plan is to retire comfortably, put your children through university or protect your loved ones, we can help you to build the future you've dreamed of for you and your family. If you would like to discuss any areas of your financial well-being, please contact Carpenter Rees on 03330 100777 or email hello@carpenter-rees.co.uk.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.