



FINANCIAL VIEWPOINT

PRITCHARD & ASSOCIATES

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

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The benefits of starting a pension early

It's never too early to start saving for retirement. In fact, the sooner you start saving, the more time for your money to grow.

Starting a pension early is one of the best things you can do for your financial future. By taking advantage of the benefits of early retirement savings, you can ensure that you have a secure financial future and enjoy your retirement years to the fullest.

More time to save

One of the most significant benefits of starting a pension early is the additional time you have to save money. The longer your money is invested, the more time for it to grow, which can help you accumulate a larger retirement fund. Starting early also means that you can take advantage of compound interest, which is interest earned on both the principal and the accumulated interest. Over time, compound interest can significantly increase the value of your pension fund.

Lower monthly contributions

Starting a pension early can also help you keep your monthly contributions lower. Because you have more time to save, you can spread your contributions over a longer period. This can make it easier to budget for your retirement savings and ensure that you are putting away enough money to reach your retirement goals.

Employer contributions

If you are enrolled in a workplace pension scheme many employers offer to match employee pension contributions, (up to a certain percentage). This 'free money' can help you save even more for retirement.

Tax benefits

The government offers tax relief on pension contributions, which means you can put more money into your pension each month. For example, if you're a taxpayer, you can get up to 60% tax relief on your contributions.

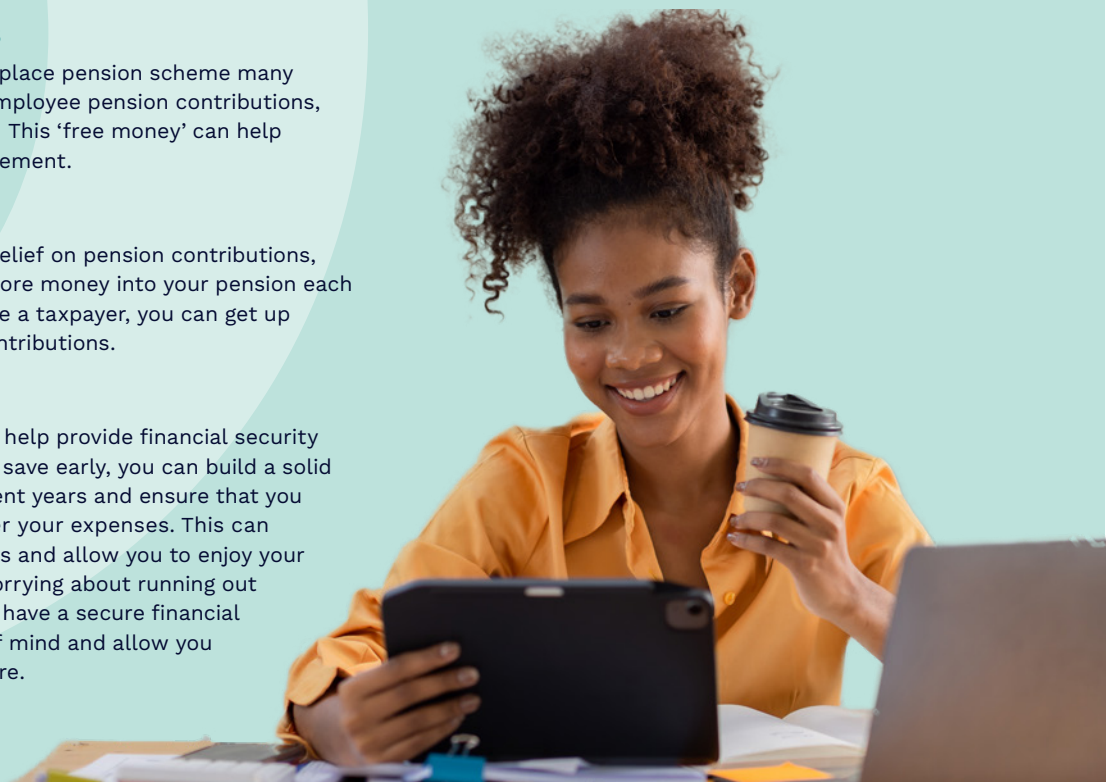
Financial security

Starting a pension early can help provide financial security in retirement. By starting to save early, you can build a solid foundation for your retirement years and ensure that you have enough money to cover your expenses. This can help alleviate financial stress and allow you to enjoy your retirement years without worrying about running out of money. Knowing that you have a secure financial future can give you peace of mind and allow you to enjoy your retirement more.

Tips for starting a pension early:

- **Set up a regular contribution**
The best way to make sure you're saving for retirement is to set up a regular contribution. This could be a fixed amount each month or a percentage of your salary.
- **Increase your contributions as you earn more**
As your income increases, you can increase your pension contributions to make sure you're on track for a comfortable retirement.
- **Take advantage of tax relief**
The government offers tax relief on pension contributions, which means you can put more money into your pension each month.
- **Consider employer contributions**
Many employers offer to match employee pension contributions, which is free money that can help you save even more for retirement.

By giving yourself more time to save, keeping your contributions manageable, taking advantage of tax benefits, and providing financial security in retirement, you can set yourself up for a comfortable and fulfilling retirement. So, if you haven't started saving for retirement yet, now is the time to start!



The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Investment myths

Understanding investments can be daunting, and there are several myths that are likely to put you off if you are new to investing. In this blog, we'll debunk five misconceptions about investing. By unravelling these myths, you'll gain a clearer perspective on how to navigate the world of finance and make informed investment decisions.

1 You need to be wealthy

You can invest with less than you may think. Making small regular investments can provide more benefits than investing a lump sum. You can invest a small amount into the markets every month. One big benefit of investing a small regular sum is that, instead of saving your cash until you have a lump sum, you're putting your money to work straight away. Even with rising interest rates, leaving money sitting in a bank account can be less profitable than investing it in the market.

2 It's too much of a risk

With any type of investment, there is a risk of losing your money. It's all a balance between risk and reward, meaning the greater the risk, the greater the potential reward. If you understand the risks involved and the level of risk you're comfortable with, you'll be able to make an educated decision as to whether it's worthwhile.

3 You need to know the best time to buy

Most people think you need to invest when stocks are low and sell when they're high, but there are so many factors that can change the stock market, it's pretty much impossible to predict the outcome. The best thing to do is start investing as soon as you can for as long as you can. There may be fluctuation, some good and some bad, but the longer you're able to hold on to your investment, the more time you'll have to recover from any lows.

4 Your money will be inaccessible

It is true that the longer you keep your money invested, the more chance you have of making a return, however this doesn't have to mean your money is inaccessible. There are lots of investment options where you can access your money at any time. You should leave your investments untouched for them to have the most potential, but should a situation arise where you may need your funds, you will be able to access them.

5 You have to monitor your investments every day

Checking your investments every day can lead to risky decisions such as changing investments or withdrawing funds altogether. Investments usually span over a long period of time, so it's best not to make potentially harmful decisions based on short-term market performance. If you're opting for a low-risk investment, you won't need to check it often. It's recommended to monitor your investments every three months just to see how they're doing.

Get in touch

If you're interested in finding out more about how you could invest your money wisely, we're here to help.

Get savvy against financial scammers

Retired teachers Paul and Mary are devoted parents and grandparents to their three children and eight grandchildren.

As their family started to grow, they decided they wanted to begin saving for their grandchildren's future. Disappointed with the returns from their savings accounts, they decided to look into other investment opportunities. After comparing a number of companies online, they settled on one and made a £30,000 bank transfer. Within just a few months, their initial investment had grown sizably.

Soon afterwards, their eldest grandchild passed his driving test. They decided they'd like to buy him a car, so they made a withdrawal. Being able to do this so easily cemented their trust in the investment company. Over the next year, they made several more deposits.

Paul and Mary then agreed they'd like to help one of their children with a deposit for a house. However, when they tried to withdraw most of their original investment, they couldn't access their money or get through to the company by phone, email or any other means. It was at this point, they realised they'd been scammed.

On top of wiping out most of their life savings, the scam took a toll on the couple's mental health. They both suffer from feelings of embarrassment and guilt, and Paul has developed severe depression.

Anyone can fall victim to a financial scam

Although Paul and Mary feel foolish, financial scams can be extremely sophisticated and trick the savviest of us. We're used to hearing stories about elderly and vulnerable people being conned but recent research by Lloyds Bank found 18 to 24 years olds are most likely to fall victim to investment scams, making up approximately 25% of all cases. And, in fact, victims aged under 45 account for 70% of all reported investment scams.

Types of financial scam

Financial scams take many forms including high-return investment opportunities, like the one Paul and Mary fell for, pensions transfers and health insurance supplements. Criminals use phishing (emails) or smishing (texts) to impersonate trusted organisations and trick people into giving away their personal information or money.

Top tips to avoid being scammed

1 Follow the advice of UK Finance's Take Five to Stop Fraud campaign

- **Stop:** Take time to stop and think before parting with money or personal information.
- **Challenge:** It's OK to refuse or ignore requests that make you feel uncomfortable. Only criminals will try to rush or panic you.
- **Protect:** Tell your bank immediately if you think you've fallen for a scam and report it to Action Fraud.

2 Great deals don't come looking for you

Scammers often advertise on social media and the internet. They may also send 'deals' by email, phone, or direct message.

3 Make sure it's genuine

As in Paul and Mary's case, scammers can easily set up fake companies, profiles and websites. Don't underestimate the lengths a fraudster will go to in order to convince you they're genuine. Before parting with any money, it's a good idea to seek professional advice. You can also use the FCA website to check the details of financial services companies.

4 Protect your payments

Consider your payment method. It's very hard to get money back if you pay by bank transfer. Paying by card offers the greatest protection.



Navigating the mortgage market

Three useful ways a financial adviser can help you navigate a mortgage market that changes quickly.

Mortgage deals have a record low shelf life, and the market is changing quickly. If you're searching for a new mortgage, it can make it difficult to find a suitable deal for you. In a situation like this, a financial adviser can help.

The average mortgage shelf life is 15 days

The average shelf life of a mortgage deal fell to a record low of 12 days in July 2023. That is now back up to 15 days but this means deals are only available for a little longer than two weeks before lenders pull them off the market.

If you're searching the market for a mortgage, it can mean there's added pressure. A deal you believe could be right for you, but you want some time to think about, may not be available when you've made a decision.

The figures also show that the number of mortgages available is on the rise, so you have more choice. While this is good news, it can make finding a mortgage overwhelming.

Combined with interest rates, which have increased significantly in the last year, navigating the mortgage market to find a deal that suits your needs can be difficult. Here are three ways working with a mortgage adviser in today's market could be valuable.

1. A mortgage adviser will help you understand the type of mortgage that's right for you

Whether you're a first-time buyer or are remortgaging your current home, understanding the type of mortgage that suits your needs can be difficult. Should you choose a variable- or fixed-rate option? What term should you choose, and how would it affect your repayments?

A mortgage adviser can help you get to grips with the different options and explain the pros and cons of each. Having a clear idea about the type of mortgage you need means you can narrow down the market and focus on the deals that make sense for you.

2. A mortgage adviser will keep track of interest rates

One of the reasons mortgage deals are being pulled from the market so quickly has been the increasing Bank of England Base Rate.

Average interest rates are falling there are still large differences in the market, and even a small change could affect your monthly repayments and overall cost of borrowing.

If you borrow £200,000 through a repayment mortgage over 25 years with an interest rate of 3%, your monthly repayment would be £948 and over the full term you'd pay more than £84,000 in interest. If the interest rate increased to 5%, your monthly repayments would rise to £1,170 and you'd pay more than £150,000 in interest over 25 years.

So, working with a mortgage adviser to potentially access a lower interest rate could save you money in the short and long term.

Remember, it's not just the interest rate that's important when taking out a mortgage. Other factors, such as the ability to make overpayments, may be just as crucial depending on your circumstances.

3. A mortgage adviser understands the criteria of each lender

One of the challenges of getting a mortgage is not only finding a deal that's right for you but understanding how likely a lender is to approve your application.

Each lender will set its own criteria, from how much they're willing to lend relative to your income to the level of risk they will take. With lots of different options, including some that aren't well-known, finding this information and relating it to your needs can be challenging and time-consuming.

A mortgage adviser will take the time to understand your circumstances and select lenders that are more likely to say "yes" to your application.

If your situation isn't straightforward – perhaps you're self-employed or have a poor credit score – a mortgage adviser could also identify specialist lenders to help you reach your home ownership goals.

Choosing the right lender for you means you can have more confidence when you submit your mortgage application.

Contact us to talk about your mortgage needs

We're here to help navigate the mortgage market. We'll work with you to understand your needs and help find a deal that's right for you. Please get in touch to arrange a meeting.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOANS SECURED ON IT.

Is it better to gift a property or leave it in your will?

Before passing away, Maggie gifted her house worth more than £700,000 to her son Bruce but still remained living there, paying a token amount of rent. Nine years later, following Maggie's death, Bruce was surprised to be landed with an inheritance tax bill for the property.

What did Maggie do wrong?

Maggie knew if she died within seven years of gifting Bruce her house that he may well end up paying inheritance tax on it. She also knew enough to pay Bruce rent after gifting him the property. However, the amount she paid was well below the market rate and this is where she fell foul of inheritance tax laws. By only paying a token amount of rent, the house remained part of Maggie's estate and Bruce was hit with a hefty inheritance tax bill.

How to decide whether to gift a property or leave it in your will?

There are no easy answers to this. There are a lot of complicated tax rules to consider and the best approach will depend on your individual circumstances. Whatever the situation, it's an important decision and one best made as a family. We've looked at the pros and cons of both to give you an idea of the kind of things you'll need to consider.

Leaving a property in your will

The first thing to do is find out the residence nil rate band (RNRB) allowance for the property in question. If, like Maggie, you're leaving your main home to a child or grandchild, they'll benefit from an extra £175,000 tax-free allowance on top of the standard £325,000. This means you could leave an estate worth up to £500,000 and there'll be no inheritance tax to pay. And if you and your spouse are leaving a joint estate, that doubles to £1m.

Maggie's husband Bill died in 2019 and the executors of the estate can also claim Bill's residence Nil Rate Band. This means that the £675,000 can be claimed as an amount where no inheritance tax is applied, meaning this £675,000 remains inheritance tax free.

The benefits of leaving a property in your will are that you'll retain control of it, it isn't generally at risk from anyone else's divorce, death, or bankruptcy and, currently, there's no capital gains tax to pay for the beneficiary.

Working with a professional financial planner, it would have been possible for Bill to leave 'assets to the value of the Nil Rate Band' and have what is called a 'Will Trust' written into the will. As this is a specialist area, it is important to discuss with a professional and consider the options.

Gifting a property

If, as in Maggie's case, the property is worth more than the RNRB, you may want to consider passing full ownership to a child. You then need to move out or, as Bruce found out to his cost, pay rent at the going market rate.

There are many reasons people choose to gift a property: to minimise inheritance tax; to provide financial help to loved ones sooner rather than later; or to avoid care home fees. If you're considering it for the latter reason, you should be aware that anti-avoidance rules are designed to stop people doing this.

If you gift a property, you'll lose control of it. But once the transfer of ownership takes place, so begins the seven year countdown for removing the property from inheritance tax liability.

Right sizing

Another option for improving your quality of life into old age and helping the kids out at the same time is right sizing. In other words, selling the family home and buying somewhere that is easier to manage and better suits your needs as you get older. This option generally releases equity, which can be used to give loved ones a financial boost while you're still alive. Alternatively, you could investigate a lifetime mortgage as an option for releasing money to gift away now.

Insuring against inheritance tax

Another possibility Maggie could have considered is taking out whole of life insurance. This would have provided a tax-free lump sum on death to cover Bruce's inheritance tax bill. Writing the policy into trust would have ensured any payout wasn't included as part of Maggie's estate.

However, policies can be expensive and HMRC would have treated the premiums as a lifetime gift if Maggie paid them herself. Bearing this in mind and considering Bruce would have been the person to benefit from the insurance cover, it would have made sense for him to pay the premiums if he was keen to go down this road.

Key takeaways:

- When deciding whether to gift a property or leave it in your will, you need to focus on what you're trying to achieve.
- The benefits of leaving a property in your will are that you'll retain control of it for the rest of your life, it isn't generally at risk from anyone else's divorce, death or bankruptcy and, currently, there's no capital gains tax to pay for the person who inherits it.
- Gifting a property can be used to minimise inheritance tax and allow you to provide financial support to loved ones before your death.
- Right sizing may improve your quality of life and release equity.
- It's possible to insure against inheritance tax but it can be expensive so it may be more appropriate for beneficiaries to pay the premiums.
- Professional advice can help you and your loved ones understand the various implications of the different options and allow you to make informed decisions.

The importance of professional advice

As you can see, estate planning is far from straightforward so it makes sense to work with a financial adviser who can look into different scenarios and help you and your loved ones make informed decisions.

Get in touch

If you'd like help to create a financial plan to structure your assets to be more tax-efficient before your death, we can help. Please get in touch to arrange a time to chat.

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Past performance is not a reliable indicator of future performance and should not be relied upon.

Approved by The Openwork Partnership on 19/07/23.

5 steps to create a budget

The average British family used to be 2.4 children, these days it's 1.7 children (and half a dog). Whether your idea of a family is two adults and two children, or just you and a dog, creating a family budget is an essential step towards managing your finances effectively.

By gathering information about your income and expenses, categorising your expenses, setting financial goals, determining your disposable income, and creating a budget plan, you can take control of your finances and achieve your financial goal.

1 Top tips to avoid being scammed

Make a list of all your average monthly outgoings, then compare it to your current income and see if you spend more than you earn. If there is money left over every month, then it's easier for you to add this to savings. If you earn less than you spend, try to cut back on your expenses slightly.

2 Set realistic goals

Set yourself short and long-term financial goals. Short-term goals should take around one to three years to achieve and might include things like setting up an emergency savings fund or paying credit card debt. Long-term goals, such as saving for retirement or your child's education, may take decades to reach.

3 Follow the 50/30/20 rule

Once you've identified your monthly income and expenditures, it's worth using the 50/30/20 rule. This is a technique where you divide your income into three categories. 50% of your budget covers any essentials like rent and bills, 30% covers variable costs like eating out and shopping and 20% covers savings and paying off debts.

4 Cut back on nice to haves

We are all guilty of enjoying the finer things in life, but identifying what nice to have items you can cut back on can help you achieve your financial goals quicker. For example, cutting back on eating out may only save you a small amount each month, but can be a huge saving in the long term. You may be surprised by how much money you could accumulate by making one minor adjustment at a time.

5 Review your budget regularly

Once you have created your budget, don't forget to review it from time to time, especially as the cost-of-living crisis is beginning to catch people out with rising prices. By checking it frequently, you'll see whether you need to adjust your goals and where you could still cut back on your expenses.



The effect of psychology on investors

You should base financial decisions on logic and facts. But psychology can have a much larger effect than you think, and it can lead to you making decisions that aren't right for you. Read on to find out more about what behavioural finance is and how it could affect you.

"Behavioural finance" was first coined in the 1970s by economist Robert Shiller and psychologists Daniel Kahneman and Amos Tversky. They used the term to refer to how unconscious biases and previous experiences affect the way people make financial decisions.

It can be used to explain why investors can make knee-jerk decisions or invest in opportunities that aren't in their own best interest. Rather than relying purely on facts, investors often have biases that affect how they react to certain situations.

Finance bias can lead to "irrational" decisions through shortcuts

There's a reason why people often make decisions based on biases: they can make the decision-making process quicker.

If you imagine how many decisions you need to make every single day, it's easy to see why this kind of decision-making can be useful. From what to eat for breakfast to which way to travel to work, it'd take up all your time if you carefully went through the facts for each decision you make. So, you make shortcuts by using biases.

However, while it can be a useful process in your day-to-day life, bias can have a negative effect when you're making important decisions, including financial ones.

Behavioural finance covers five concepts:

1. Mental accounting

Mental accounting can be incredibly useful when you're managing a budget. However, inflexibility could mean you miss out on opportunities.

The concept refers to how people may designate money for certain purposes. So, you may have different savings accounts for various goals. It's a process that can help you manage your outgoings and work towards goals.

However, it can also lead to irrational decision making.

You may not dip into a savings account that you've allocated to buying a new car even when you face an emergency and it'd make sense logically.

How you receive the money may also affect how you use it. For instance, you may put off using money that was given as a gift in an emergency because you believe it should be used for something special.

2. Herd behaviour

Herd behaviour is something that's often seen in investing. When you hear that lots of people are selling certain stocks or buying a specific share, it can be easy to be led by this and follow suit.

It can lead to you making decisions that, while possibly right for others, don't suit you or your circumstances. It's not just investing where herd behaviour can have an effect. You may be tempted to purchase an item after a friend has or choose a savings account because someone you know has.

3. Anchoring

When you have some information, you may focus on this – anchoring your views to this data.

Setting a benchmark can be useful, but it can mean you don't take in other information, especially if it's contradictory.

So, you may hold on to investments even after the value has fallen because you've anchored its worth to a previous valuation.

4. Emotional gap

Emotions often play a role in financial decisions. You may sell a stock because you fear that the price will fall, or make an impulse purchase because you're happy.

Being comfortable with your financial plan is important, but an emotional gap can fuel irrational decisions as you're more likely to overlook data.

5. Self-attribution

This concept refers to how investors are likely to have overconfidence in their abilities.

You may believe you can reliably time the market to maximise profits when the markets are unpredictable. In this case, it's common to see "wins" as being down to your knowledge, while "losses" are attributed to things outside of your control.

Unconscious bias may affect your decisions in ways you don't expect. If you have any questions about your finances and the decisions you need to make, please contact us.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.