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Your **Money** Winter Q1 2025

Nurture your financial wellbeing in 2025 – get your life plans in place with smart planning

As we step into 2025, now is the perfect time to set your financial plans in order. With changes on the horizon – like many pension pots becoming subject to inclusion in Inheritance Tax (IHT) calculations from April 2027 – it's wise to prepare early.

Financial wellbeing involves having a positive relationship with your money, feeling secure and in control of your finances, enabling you to make the most of your money while also being able to cope with the unexpected. Here are some essential steps to help secure your financial future, protect your loved ones, and improve your wellbeing – all great resolutions for 2025!

Pension contributions
How's your retirement plan coming along? Thinking about your pension, the underlying assets, your risk tolerance and the level of contributions you make is a good starting point to set you on the right track to enjoy the retirement you deserve.

Plan ahead for IHT
Tune into gifting rules and allowances, and consider gifting assets now to benefit from the seven-year IHT rule, where gifts made seven years before passing away are usually IHT-exempt. This can significantly reduce the tax burden on your estate.

Update beneficiary forms
Ensure your pension and other beneficiary forms are up to date, reflecting your latest wishes. Even though there is no IHT between spouses, including pension pots, keeping beneficiaries current will prevent complications.

Place life insurance in trust
This simple move keeps the payout outside of your estate, making it IHT-free for beneficiaries. It's an easy way to maximize the benefit your loved ones receive.

Engage the whole family in financial planning
Discussing financial plans with family helps ensure everyone understands the long-term strategy. By involving your family, you can clarify intentions, avoid misunderstandings, and foster a sense of shared financial responsibility. We can help with intergenerational financial planning and conversations.

Think long term
Avoid hasty decisions. Focus on a stable, long-term financial strategy and work with us to navigate complex issues like IHT. By following these steps, you can create a well-rounded financial plan, ensuring peace of mind for you and your family. We believe in the importance of taking control and talking things through. Life is demanding, focusing on a few small changes can make a big difference, let's tackle 2025 head-on together.

On your agenda – end of tax year planning

As we head into a new year with hope and optimism – it's a good time to reflect on your personal financial circumstances. With the 2024/25 tax year drawing to a close, don't leave it to the last minute to get your finances in order – that includes using your tax-efficient allowances.

You might want to make some pension contributions, use your Capital Gains Tax (CGT) or Dividend Allowances, embark on some IHT planning or even maximise your investments using tax-efficient vehicles including Individual Savings Accounts (ISA) and Junior Individual Savings Accounts (JISA) and – for the more seasoned investor – Enterprise Investment Schemes (EISs) and Venture Capital Trusts (VCTs).

There's not long to go until the end of the tax year (5 April 2025), so let's get organised!

As a reminder, during the Autumn Budget:

- The freeze on IHT thresholds has been extended to 2030, and from April 2027 pension pots will be considered part of taxable estates
- CGT increases were announced, with the basic rate moving to 18% and the higher rate to 24%, the CGT allowance remains at £3,000 for individuals
- Annual subscription limits remain at £20,000 for ISAs and £9,000 for JISAs until 5 April 2030.

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. The Financial Conduct Authority (FCA) does not regulate Will writing, tax and trust advice and certain forms of estate planning.

Inside this issue

IN THE **News**

One in five targeted by financial scams

Research by Citizens Advice reveals that around one in five[1] (18%) people in the UK have fallen victim to financial scams, such as fake pensions or investment opportunities, over the past year, affecting an estimated nine million individuals. Among those scammed, 43% had to borrow or increase their debt, 24% turned to family or friends for help and 20% took on extra work. Citizens Advice's Scams Awareness campaign aims to protect people by highlighting common scams, including fake debt advice, pension fraud, and QR code scams in car parks.

Reliance on parents' pensions

Over a third (38%) of Brits in their 30s and early 40s plan to rely on their parents' assets to secure their own financial future[2]. Over half expect an inheritance to be their main source of retirement income, with 19% banking on a boost to their finances when their parents pass away. Worryingly, 30% don't think they will ever have enough to retire, leading some to anticipate working past retirement age. This reliance on parental financial support continues into adulthood for many.

Hunt for lost pensions keeps growing

Lost pensions are again in the spotlight, with new research[3] revealing there are an estimated 2.8 million missing pension pots in the UK. As more people hunt for their lost pension money, demand for the Pension Tracing Service (PTS) continues to grow. In total, the PTS has received more than 276,000 calls since January 2019 – and 2024 looks set to be another record breaker, with 31,505 calls in the year to 24 May.

[1]Citizens Advice, [2]Moneyfarm, [3]Pensions Policy Institute, 2024

Don't invest under the 'finfluence'

People are increasingly seeking financial guidance on social media. While financial influencers – or 'finfluencers' – can be useful in raising awareness around financial matters, there is also a darker side to the growth of unregulated advisers.

Social media age

In the UK, more than one in four people use some combination of social media, community messaging apps and online forums for investment guidance, research[4] shows. Of those who get their investment advice from social media, one in five cited 'free access to financial experts' as a reason. Meanwhile, one in four pointed to the fact it was 'quick and easy to use' as justification.

Not all advice is equal

Entrusting your financial decisions to social media, however, comes with risks. One significant danger is that many people are failing to carry out checks on the advice they see online. Specifically, the same study found that more than half of UK adults who use social media for investment guidance do not carry out checks to verify the reliability of 'finfluencers' and their content. Young people are especially vulnerable, with increasing numbers falling victim to scams, with finfluencers often involved.

FCA crackdown

The Financial Conduct Authority (FCA) has interviewed 20 finfluencers who may be illegally selling financial services products; the FCA has also issued 38 alerts against social media accounts operated by finfluencers which may contain unlawful promotions. In many instances, these influencers are not FCA-authorised and don't have the qualifications to give financial advice.

Despite the fact anyone can pose as an expert online, fewer than half of those using 'finfluencers' always check that the information comes from a reliable source. Social media has its advantages, but making sure the advice comes from an accredited professional is the best way to steer clear of unsuitable investment advice and scams.

[4]Barclays, 2024

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Why financial procrastination can harm your health (and your finances)

We all know that putting things off is all too easy. As the new year rolls around, many will be making resolutions to get organised. Is ending financial procrastination one of your goals?

What is financial procrastination?

Broadly speaking, financial procrastination refers to a tendency to delay or avoid financial decisions or tasks. Its impacts range from paying bills late to avoiding getting started on retirement planning.

In the busy modern world, it's easy to overlook your financial to-do list. Other causes of financial procrastination include stress and confusion around managing money. Putting off financial tasks can impact more than your money: studies have linked procrastination to negative health outcomes such as depression and anxiety.

> The first step to fighting financial procrastination is to understand what it looks like

Signs you're a financial procrastinator

The first step to fighting financial procrastination is to understand what it looks like. Do you fear making mistakes with money? Does a lack of confidence prevent you from taking control of your finances? Do you have low motivation or self-discipline with money?

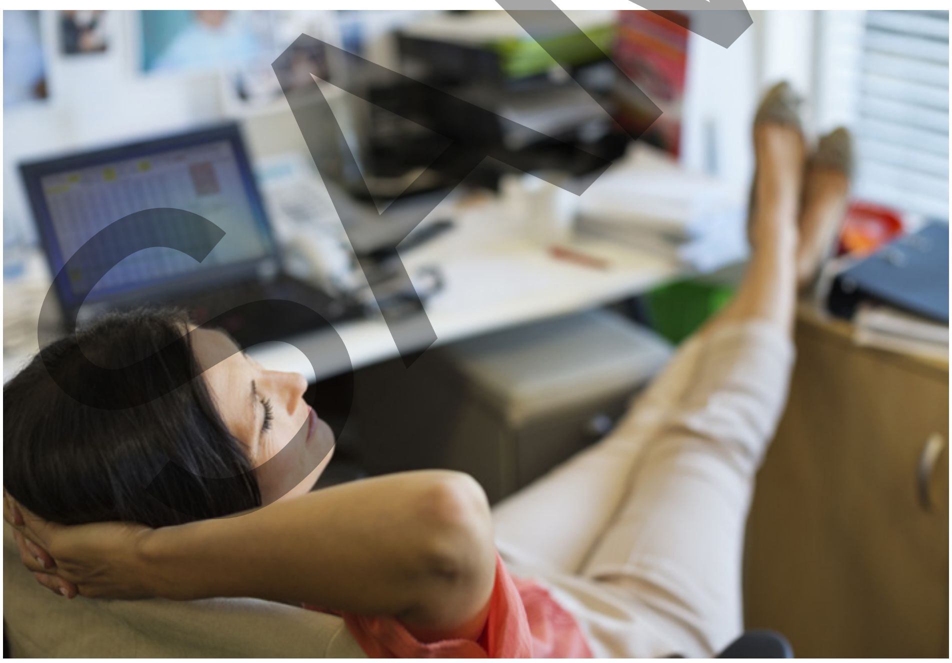
If you're feeling overwhelmed or confused about your finances, have unclear goals and priorities, or experience strong negative emotions about money, you may be a financial procrastinator.

Take control of your finances

Thankfully, combatting financial procrastination can be relatively easy. The key remedy is to talk through your finances and develop a plan to take control. By establishing a series of financial goals and longer-term objectives and taking expert advice, you can make sure financial delays never hold you back again.

Here to help

We take an active approach to managing your finances – no procrastination here! Get in touch today for the support and strategy you need to achieve your financial goals – whatever they may be.



Narrowing the gender protection gap

You've probably heard about the gender pay gap. You may even have heard about the gender pension gap. But did you know there is also a gender protection gap?

Women are typically less likely than men to have insurance that protects them financially against the risk of being unable to work due to illness or injury. In fact, just 11% of female workers have, or are applying for, income protection insurance in the UK, versus 16% of men, according to research[5]. Women are also more likely to cancel an insurance policy because they can no longer afford it.

And, according to Scottish Widows[6], even women who do have protection insurance are covered for up to 20% less than their male counterparts.

Where does the gap come from?

There are a few reasons why women might be less likely to take out protection insurance, Scottish Widows found:

- Women typically have less self-confidence when making financial decisions, with 31% of females saying they were confused by financial matters, vs 20% of males
- 22% of women without protection said they don't understand financial protection or don't know enough to get the right cover
- 22% of females without protection felt it was too expensive.

Closing the gap

If a lack of confidence or knowledge is preventing you from taking out protection insurance, or you are unsure whether or not you can afford it, please talk to us. We're here to help our clients, both men and women, to access suitable, affordable protection insurance and increase their financial resilience.

[5]The Exeter, [6]Scottish Widows, 2024

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated. Financial protection policies typically have no cash in value at any time and cover will cease at the end of the term. If premiums stop, then cover will lapse.

Advised investors are 'less vulnerable'

Investors who receive financial advice are four times less likely to be vulnerable than the general population, according to analysis[7].

The study looked at a cohort of more than 5,000 advised investors, assessing them using a psychometric financial wellbeing questionnaire. Designed by an in-house behavioural psychologist, the questionnaire was designed to find and evaluate indicators of vulnerability across aspects such as health, life events, resilience and capabilities.

Significantly fewer advised clients were found to be highly vulnerable, despite being affected by such events in similar proportions to the general population.

Less impacted by adverse events
For example, 41% of advised clients had a health condition or illness, but only 3% said these challenges reduce their ability to carry out day-to-day activities. Similarly, 30% said they'd experienced a difficult life event in the past 12 months, but just 3% showed high vulnerability by saying it prevented them from doing the things they want to.

Advised investors also enjoy strong financial resilience, with six in 10 saying they feel they can cope with financial challenges. Very positively, almost half feel they are knowledgeable about financial matters, while almost eight in 10 said they were confident in their ability to manage their finances.

[7]Dynamic Planner, 2024

A few months left to maximise your State Pension

The government is encouraging individuals to take advantage of the opportunity to maximise their State Pension by filling gaps in their National Insurance (NI) records for the period between 6 April 2006 and 5 April 2018.

By making voluntary contributions, people can potentially increase their future State Pension payments. This option is available until the deadline of 5 April 2025.

Since the launch of the government's digital service in April 2024, over 10,000 payments, totalling £12.5m, have been made. The online tool allows individuals to check for any gaps in their NI record, assess if making payments could improve their pension and make the payment if they choose.

Analysis indicates that most users (51%) opted to top up one year of their NI record, with an average payment of £1,193. In some cases, users have increased their weekly State Pension by as much as £107.44. After the April 2025 deadline, voluntary contributions will only be permitted for the six most recent tax years.

Minister for Pensions, Emma Reynolds, urges people to use this service, *"We want pensioners of today and tomorrow to enjoy the dignity and support they deserve in retirement. That's why I urge everyone to check if they could benefit by filling gaps before the deadline passes. Using our online tool means only a few clicks could make a huge difference to your future."*

So far, 3.7 million people have accessed the online tool to view their State Pension forecast. You can check your State Pension here **www.gov.uk/check-state-pension**

During the Autumn Budget, the government committed to maintaining the State Pension Triple Lock for the duration of this Parliament, meaning that the basic and new State Pensions will increase by 4.1% in 2025/26, in line with earnings growth (£230.30 a week for the full, new flat-rate State Pension and £176.45 a week for the full, old basic State Pension).

If you would like any advice or information on any of the areas highlighted in this newsletter, please **get in touch**

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It is important to take professional advice before making any decision relating to your personal finances.

Information within this document is based on our current understanding and can be subject to change without notice and the accuracy and completeness of the information cannot be guaranteed. It does not provide individual tailored investment advice and is for guidance only.

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Information is based on our understanding of taxation legislation and regulations.

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All details correct at time of writing (November 2024).