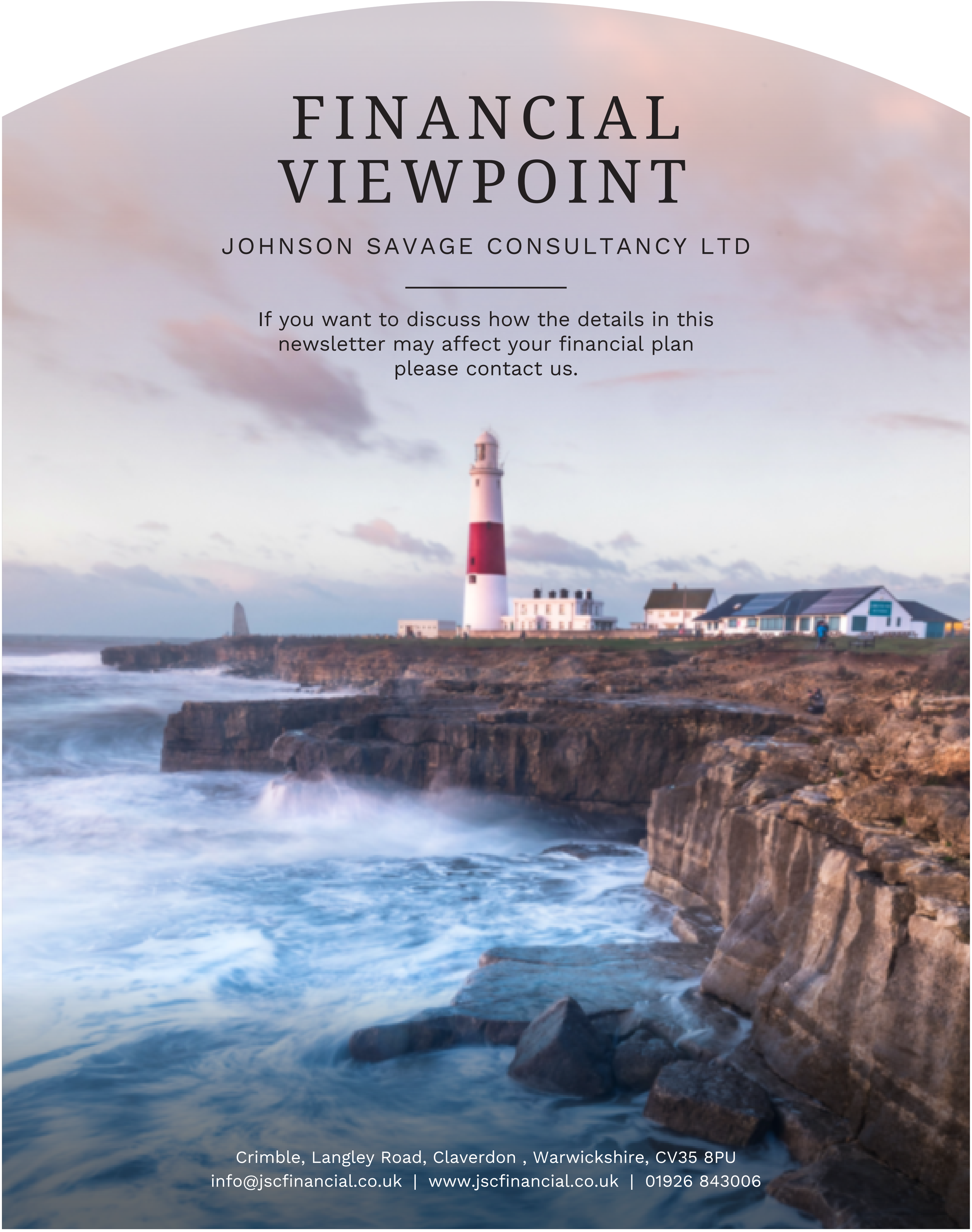
# FINANCIAL VIEWPOINT

JOHNSON SAVAGE CONSULTANCY LTD

If you want to discuss how the details in this newsletter may affect your financial plan please contact us.



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# How to make ISAs work for you

Make the most of your tax allowances by using the different types of ISAs that are available.

Individual Savings Accounts (ISAs) were first introduced in 1999 and are a tax-free way to save into a cash savings or investment account. There lots of different types of ISA available, but the right one for you will depend on your financial goals. We explain how they work so you can choose the one that is best for you.

## Cash ISA

A cash ISA works in the same way as traditional savings account but you won't have to pay tax on any of the interest you earn.

For the 2021-22 tax year each person has an ISA allowance of £20,000. To take out a cash ISA you have to be a UK resident and over the age of 16. If you don't use the allowance before the end of the tax year you will lose it and you'll have to start anew on 6 April.

Some cash ISAs are instant access while others have a fixed rate. You can only open one cash ISA per year but you are allowed to transfer to another cash ISA or a stocks and shares ISA with another provider if you want to.

**2021-22 ISA ALLOWANCE**

**£20k**

## Stocks and shares ISAs

With a stocks and shares ISA you can hold a variety of investments such as shares, bonds and funds. Just like the cash ISA you can save up to £20,000 a year tax free, but you get to choose what investments you put inside it, so it's worth getting financial advice. You also have to be 18 or over to be eligible.

Stocks and shares ISAs provide an option for people looking to avoid the erosive impact of inflation on returns. Over time there is the potential for better returns with an investment ISA over cash, although the risks are also greater.

If you want to invest in a stocks and shares ISA you need to be comfortable with the possibility of making losses and prepared to invest for the longer term.

## Lifetime ISA

The lifetime ISA (LISA) can be used by first-time buyers to fund a deposit for a property or taken tax-free at the age of 60. As well as paying interest, LISAs benefit from a 25% bonus from the government to encourage saving towards a home or retirement.

The maximum you can put in each year is £4,000, which comes out of your £20,000 ISA allowance. The LISA can only be opened by anyone aged 18–39, but you can keep saving in one until you are 50.

With the LISA, you can get a bonus of up to £1,000 a year up until you are 50. If you open one at the age of 18, this means you could end up with a maximum bonus of £32,000.

However, there are some restrictions with a LISA. You have to keep your money in a LISA for a minimum of one year before you can withdraw it and if you take your money out before you are 60 and you don't use it to buy a home, you will have to pay a 25% penalty.

## Junior ISAs

If you're looking to put some cash aside for your kids, Junior ISAs (JISAs) are a great way of doing so. These accounts are available to anyone under 18 and tend to offer much higher rates than adult accounts, but there are some restrictions.

Like the adult accounts, you won't pay any tax on your interest. In the 2019–20 tax year you can save or invest up to £9,000 in a JISA. You can save for your child either in a cash JISA, a stocks and shares JISA, or a combination of the two. JISAs can be opened by parents with children aged under 16 and then by children themselves when they are aged 16 and 17.

## Innovative Finance ISA

If you invest with an innovative finance ISA (IFISA) the company offering the ISA will use the money to lend to borrowers or businesses – known as peer-to-peer lending. You'll be offered a rate of interest from the borrower when paying back the money you've invested.

You can invest up to £20,000 a year in an IFISA and any interest earned will not be taxed. While you can earn higher rates of interests than with a traditional savings account, they are a much riskier option than a cash ISA as the borrower could potentially default on their loan.

***Our financial advisers can help you and your family find the right product to suit your needs and financial situation.***

***An ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested.***

OW3511 Exp. 05/02/22

# Can your pension sustain your retirement?

Working out how long your pension pot will need to last – as life expectancy rises – is worth thinking about sooner than later.

The lockdown caused many people to reassess their lifestyles, which for some meant choosing early retirement. But what retirees have found is that pension pots are not matching the period of time needed to enjoy a comfortable life.

Life expectancy is going up. The Office for National Statistics offers an online calculator which gives an estimate of life expectancy – and with it an idea of how many years people will need their pensions to sustain them.

## What’s your number?

The ‘Class of 2021’ report from Standard Life Aberdeen lays out how much value an average pension pot needs – around £366,000 if you multiply the average annual amount retirees surveyed said they would spend (£20,000) by 20 years of post-retirement time. A third said they had less than £100,000 saved.

## Retirees need more than they think

The survey reported that two thirds of retirees were at risk of running out of money post retirement. Along with people living longer (on average, people aged 55 today will live to their mid-to-late 80s) there is the issue of rising inflation which raises the cost of living as years go by. Volatility in the investment markets also adds to the concern for people approaching retirement when it comes to pensions.

## How to plan for the years ahead

Those surveyed did have plans to tackle this issue, however. Half of the those surveyed aimed to reduce the amount of money they spent on a day-today basis in order to save for retirement. Other considerations include downsizing their home and seeking part-time work after retirement in order to generate an income.

There is concern among almost half of those surveyed about being financially ready to finish working in the coming year. Yet many are aware of the need to be prepared when it came to their finances post-retirement, making any necessary adjustments – ideally with help from a financial adviser.

Keeping track of workplace pension plans and thinking about consolidating them into one pot might be a good place to start planning towards the goal of making your retirement as financially worry-free as possible.

***Our financial advisers can help you review your pensions and advise on how to make the most of your pension.***

***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.***

OW3512 Exp. 12/08/22

# Get the best out of your BTL mortgage

Many fixed mortgage deals will be approaching the end of their term this October, so it's a good idea to review your buy-to-let mortgage.

With interest rates still at low levels and demand for rental properties increasing around the country, investing in a buy-to-let (BTL) is a popular choice for many.

## Buy to let basics

A BTL mortgage is a specific type of product for those who want to buy a property with the intention of renting it. Because of this, there are different terms and rules around a BTL mortgage (compared to a regular mortgage for a property the buyer intends to live in.)

- With a BTL mortgage, the anticipated rental income is taken into account when the lender calculates how much you can borrow.
- A BTL mortgage could suit investors with enough equity to put down a deposit of at least 20% of the value of the property (but some lenders could require up to 40%.)
- Your credit record is closely scrutinised with a BTL mortgage, as with a regular mortgage application.

  Interest rates for BTL mortgages are usually higher than a regular mortgage.

## Things to remember

If you have a BTL mortgage already and its fixed interest rate term is coming to an end, you may be thinking about switching products or providers to gain a better deal. Here are some other things to look out for:

- Examine all of your options into the type of product to suit your investment going forward. A financial adviser is best placed to help you with this.
- Don't forget to research any fees and charges around changing your product too, as these could be higher than you expect.
- When changing products, you may be asked about your property's rental income history in order to assure any new lenders that you are able to keep up with mortgage payments.
- Show that you have sufficient savings to cover any gaps in rental periods when your property could be unoccupied.
- For your own peace of mind, having a cushion of savings available to cover any essential repairs is important.

***If you are looking to remortgage your BTL property or are thinking about transferring your mortgage to a different provider, our advisers can help you find a product that best suits you.***

***Some buy to let mortgages are/is not regulated by the Financial Conduct Authority.***

**YOUR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE**

OW3540 Exp. 25/08/22

# Protect your peace of mind when moving home

Moving home can be a hectic and exciting time, but don't forget about protection – taking out the appropriate policies can save you a lot of stress in the long term.

If you've just moved home or are about to, it probably feels like you've been caught up in a bit of a whirlwind over the past few months. With searching for a property during a pandemic, making the move before the stamp duty holiday ends and potentially getting caught up in the resulting conveyancing backlog, protection policies are probably not top of your priority list.

Yet it's important to take the necessary precautions to ensure your new home and possessions are looked after – now more than ever. Here are some of the main types of protection you should be thinking about.

## Mortgage protection

If you're unable to work due to illness or injury or because you've lost your job, mortgage payment protection will cover the cost of your mortgage each month. These policies usually last for a year or until you return to work – whichever is soonest.

You can pick how much you want your policy to pay out each month, and this can include a buffer for other expenses, such as bills. It's important to bear in mind though that providers usually set monthly limits of between £1,500 and £2,000. You won't always be able to claim straight away, and there's usually a waiting period of one or two months. The cost of mortgage protection will depend on:

- your salary;
- the size of your mortgage repayments;
- the type of policy you choose; and
- how soon you want to be covered.

## Income protection

Income protection provides you with a regular income if you've lost your job or are unable to work due to illness or injury. There's usually a minimum wait of four weeks before you can start receiving payments. There are different types available:

- A short-term plan covers you for involuntary redundancy, but is usually limited to a set time period.
- A long-term plan will usually cover you until you return to work, retire, die, or the policy ends – whichever is soonest.

## Buildings insurance

If you've got a mortgage, you're likely to have buildings insurance to cover the cost of repairing damage or rebuilding the structure of your home if it's damaged. But have you looked carefully through the policy and made sure that it definitely covers everything you need it to? Once you've moved, you may realise that your new home has a slightly more complex structure than you first realised, and it's important to make sure your buildings insurance takes this into account. If you're lucky enough to not have a mortgage, it's still a sensible idea to invest in this type of insurance for peace of mind.

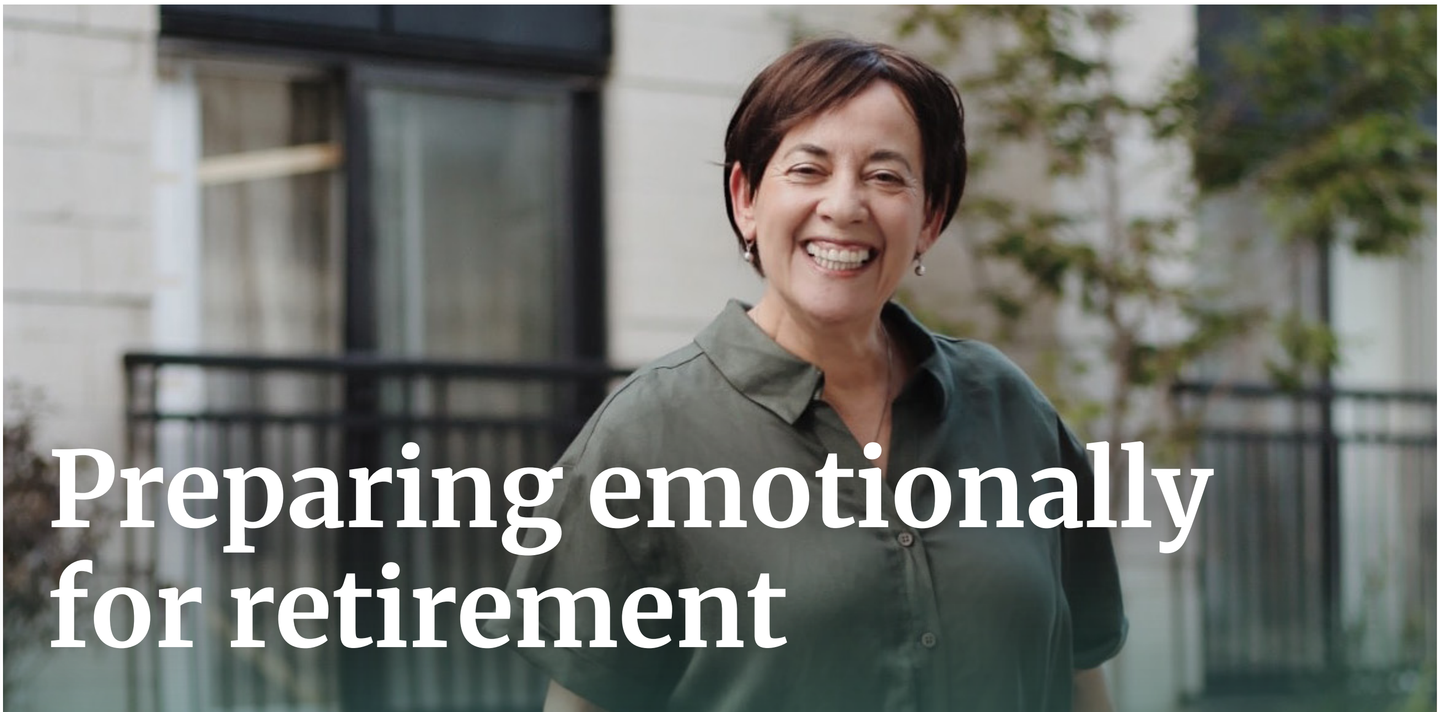
## Contents insurance

If you've bought new furniture and gadgets for your home, you might need to review your contents insurance. This type of insurance covers the cost of replacing possessions in your home if they're stolen, destroyed or damaged. It's a good idea to double check which of your items are covered so that you're not caught out if something does go wrong.

## Act now

When you're caught up in the excitement of moving, thinking about protection might be the last thing on your mind. But remember that your circumstances can change quickly and it's important to make sure you're prepared now in case things don't go to plan in the future. For more information about protection and to talk about whether your current policies are right for your situation, speak to your financial adviser today.

OW3261 Exp. 19/04/2022



# Preparing emotionally for retirement

You've retired from work, you've waved a cheerful goodbye to your colleagues and you're ready for the rest and relaxation you so rightly deserve. It's exciting! For a couple of weeks. Then the doubt sets in.

What will you do with your life, you might find yourself asking? How will you fill the long daytime hours? How will you manage without the comfort of your routine? Where will you find your purpose, if not from work?

## Planning – it's not just financial

Whenever we talk about retirement, it's all about the pension. If you have enough in your pension pot when you retire, you're all set, right?

Many retirees simply aren't prepared for how significantly their life will change, and many, while not missing work per se, will certainly miss the sense of purpose it offered. And, with life expectancy on the rise, it's daunting to contemplate the next 20 to 30 years without any of the structure around which you're used to organising your life.

## 'Reinvent' yourself

A European study funded by the Erasmus program argues that we should start preparing for retirement as early as 50. Suddenly stopping work after spending a lifetime focused on your career, it argues, can be the catalyst for depression and other mental health issues. That's why we need to 'reinvent' ourselves in our 50s by discovering new passions and interests, improving our mental and physical health, and generally forging a life for ourselves outside of work in the run-up to retirement.

So, what steps can you take to prepare for a happy retirement?

## Happy, healthy, whole

Retired or not, you'll still want and need similar things in life: a sense of purpose, social interaction and activities that interest and stimulate you. With this in mind, here are our tips for preparing for a fulfilling retirement:

Wind down in stages – rather than going from full-time to retired overnight, why not try reducing your hours first, giving you the fulfilment of work combined with the free time to pursue other interests?

Exercise your body – and your mind – experts have long extolled the virtues of exercise for our physical and mental health. Getting into the habit now could really help your emotional state when you retire.

Be a social butterfly – in addition to solitary hobbies and interests, joining groups and clubs can help you develop social networks outside of the workplace.

Get a furry friend – as well as keeping you company indoors, a pet (such as a dog) will give you an incentive to get outside in the fresh air.

Don't neglect your pension – while preparing emotionally is a big part of retirement, the money still has to be there to allow you to live life to the fullest.

Would equity release be right for you? A way of supplementing your retirement income using the value tied up in your home, although not right for everyone, we can help you explore your options.

## We do the finances, you do the rest

That's why we're here! We can help you sort out the financial stuff to provide you with the resources to spend your retirement free from money worries, so you can concentrate on enjoying your later years. Why not give us a call?

*You will need to take legal advice before releasing equity from your home as Lifetime Mortgages and Home Reversion plans are not right for everyone. This is a referral service.*

*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*

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.**

# Be wary of the crypto-craze

You might be thinking about whether to invest in crypto currencies. We explain why it may not be the right choice, and how to better approach your portfolio.

This year has been eventful for bitcoin, with the cryptocurrency reaching a record high and then almost halving in value all in the space of six weeks. The walk-back in May from Tesla's Elon Musk in his support of bitcoin underlined concerns around the idea of cryptocurrencies as a stable investment. Musk – previously an outspoken supporter – announced his company would not be accepting bitcoin as payment for its vehicles. What followed was a series of plunges in its value – not helped by the additional news of Chinese regulators signalling a crackdown on the use of digital currencies.

## Bitcoin in brief

Bitcoin is a type of digital, decentralised currency, allowing the transfer of goods and services without the need for a trusted third party. The network is based on people around the world called 'miners' using computers to solve complex mathematical problems in order to verify a transaction and add it to the 'blockchain' – a massive and transparent ledger of each and every bitcoin transaction maintained by the miners. The first to verify is rewarded with bitcoin. There is a finite amount of bitcoin that can be produced and, as more are created, the mathematical computations required to create more become increasingly difficult.

## Cryptocurrencies can be volatile

Bitcoin's high volatility (risk) makes it a poor substitute for money in a broad sense. The unsteady air around cryptocurrencies in May showed the speculative nature of this asset class. Bitcoin and cryptocurrencies in general have more in common with commodities and currencies – they are much harder to value than cashflow-producing equities and bonds.

**Reasons to be crypto cautious**

- Cryptocurrencies are a volatile choice and susceptible to stock market bubbles, which can affect investments negatively during a downturn.
- They're not a tangible form of investment, and are not regulated, which can be a red flag when it comes to your investments.
- Volatility means investors are likely to act on doubts and sell if they fear a fall in return.

## Where to invest?

A sensible approach is to invest in high-quality companies that are well-established businesses. These are usually businesses with strong management teams, serviceable levels of debt and predictable cash flows. To avoid being hit by market volatility make sure your portfolio is invested in a wide range of assets, and less vulnerable to market shocks.

Staying invested when there is a downturn can help you get through any turbulent times and put you in a good position to benefit from any ensuing recovery.

***Our financial advisers can help advise you on your investment choices.***

***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.***

# Do you have ‘cash in the attic’?

Wherever you go, you’d be hard pressed to find a house without at least a little bit of clutter. From the kids’ old teddies (well, they might want Ed the Ted for their own children, you see) to receipts from the 1980s (they might take it back after 40 years), attics and basements across the UK are full of what optimists might call ‘keepsakes’ and what others would probably call ‘junk’.

But is it always? If Flog It or Cash in the Attic are anything to go by, our houses are literal gold mines of undiscovered treasures, just waiting to be found amongst the everyday bric-a-brac.

## What could your attic hold?

Over the years, some truly priceless artefacts have been uncovered in the homes of unwitting residents. Here’s a list of some of the oddest – and most valuable.

## An ‘old box’ that was more than it seemed

A battered looking wooden box, used as a TV stand by an elderly gentleman, was discovered upon his death when his house was being cleared out. This unassuming item turned out to be an ancient Japanese Mazarin Chest, and is valued at a staggering £6.3m.

## Rare rugby memorabilia

A treasure trove of extremely rare rugby kit and memorabilia from the turn of the 20th century (including an England shirt from the first ever game in Twickenham in 1910) was found languishing in a dusty box by the great grandson of rugby player and WWI hero Charlie Pritchard. The priceless items are currently on loan to the World Rugby Museum in Twickenham.

## Priceless Indian artefacts

The ancestors of a British army officer were amazed to discover a cache of Indian arms taken from a Sultan’s palace at the turn of the 19th century. Wrapped in newspaper and discovered in a dusty Berkshire attic, the weapons, including an ornate, gold-encrusted sword and a gun believed to be the one fired by the ‘Tiger of Mysore’ himself in his final stand against the British in 1799, are expected to fetch millions at auction.

## Time for a clear out?

If you’re feeling galvanised into a spring (or winter) clean, then be careful what you chuck out! You too could be sitting on a valuable treasure.

## Don’t be underinsured

Have you reviewed your home contents insurance policy and make sure you’re covered for everything you own – including the contents of your attic and basement.

***Get in touch with us and we can help find a contents insurance policy that suits your needs. In the meantime – we’re off to watch Antiques Roadshow!***

OW3044 Exp. 19/11/2021