



# financial Newsletter

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## In this issue

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[Scottish Widows](#): Unlocking your financial freedom with annuities

---

[Quilter](#): Gifting – should the kids get their inheritance now, or should you put it in a trust?

---

[Parmenion](#): Why diversification matters

---

[2plan](#): Protecting your wealth for your lifestyle and your family

---

[Omnis](#): 5 key principles to successful investing

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[Aberdeen](#): The true cost of retirement might ease IHT fears

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# Unlocking your financial freedom with annuities



If you're thinking about how to make your money last through retirement, you're not alone.

With the world feeling more unpredictable than ever – politically, economically, and socially – it's completely natural to want a bit more certainty when it comes to your finances. That's where annuities come in.

## So, what exactly is an annuity?

Think of an annuity as a way to turn your pension pot into a regular income for life. You hand over a lump sum, and in return, you get a guaranteed income – often until the day you die. Some annuities can even continue paying your partner after you're gone, or offer a lump sum if you pass away within a certain number of years.

You can also choose an annuity that rises with inflation, helping your income keep pace with the cost of living. But like any financial product, annuities aren't perfect. They're usually inflexible – once you've bought one, you can't change your mind. And the income is taxable, so it's important to get advice to make sure it fits your overall retirement plan.

## Why a guaranteed income matters

Let's face it – retirement should be about enjoying life, not worrying about whether your money will last. Annuities give you peace of mind by providing a steady, predictable income. Unlike investments that can go up and down, annuities offer stability. That's especially important when you're no longer earning a salary and need to cover everyday expenses.

## Worried about inflation?

You're right to be. Inflation eats away at your spending power over time. The good news? Many annuities offer inflation protection, meaning your income can increase each year to help you keep up with rising prices. It might mean a lower starting income, but it can pay off in the long run.

## Protecting your loved ones

If you're in a couple, you might assume your partner will automatically get your pension income if something happens to you. Unfortunately, that's not always the case. Men often have bigger pension pots, are older, and tend to die earlier – leaving many women financially vulnerable.

Despite this, 85% of annuities are bought on a single-life basis. That means the income stops when the policyholder dies. Choosing a joint-life annuity can help protect your partner, so it's worth exploring your options.

## Annuities vs. drawdown: what's right for you?

You might have heard of drawdown plans, where you keep your pension invested and withdraw money as needed. They offer flexibility, but they also come with risks – like market volatility and the chance of outliving your savings (known as longevity risk).

Annuities eliminate that risk by paying you for life, no matter how long you live. Of course, investments can offer growth potential, so your financial adviser may recommend a mix of both – using annuities to cover essential expenses and drawdown for more flexible spending.

The Financial Conduct Authority recommends making sure your basic costs are covered by secure income sources like the State Pension, defined benefit pensions, or annuities. That way, you can afford to take more calculated risks with the rest of your pension pot.



## Building a resilient retirement plan

A strong financial foundation can make all the difference in retirement. Annuities can be a key part of that, offering guaranteed income, inflation protection, and support for your loved ones. And perhaps most importantly, they give you the confidence to enjoy your retirement without constantly worrying about money.

If you're planning for retirement, don't overlook the value of annuities. They're not just about numbers – they're about peace of mind. By including them in your financial strategy, you could create a more resilient, secure future for yourself and your family.

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Author: Scottish Widows

# Gifting – should the kids get their inheritance now, or should you put it in a trust?

A growing number of people have started gifting money to their loved ones in an attempt to rapidly reduce the value of their estate for inheritance tax purposes.

For those not ready to gift wealth away immediately, but want to start inheritance tax planning now, here's how a trust can help.



## Gifting wealth to reduce IHT

Inheritance tax (IHT) is no longer just a concern for the wealthy. With rising house prices, frozen IHT allowances, and changes to the IHT treatment of pensions from 6 April 2027, many more families are set to be affected.

By gifting wealth to loved ones, you can help reduce your potential IHT liability. Some gifts are 'exempt' and the IHT saving is immediate. For all other gifts, you will need to survive a period of seven years for the gift to be excluded from the value of your estate.

## Why making an outright gift might not be the answer

Making an outright gift is a great way to see loved ones benefit from your wealth immediately. For example, giving £50,000 to a grandchild to help them buy their first home will bring great joy and reward.

However, what if you aren't ready to gift your wealth away immediately:

- Perhaps you don't yet know how much money you will need in future years.
- You may still be undecided over who you want to benefit from your wealth and when.
- Perhaps you want more control over how your wealth is spent, for example, you may want it to be used for school fees.
- The timing might not be quite right either, perhaps your grandchildren are still very young, or your child is going through a separation.

You need to be certain before making any outright gifts. You won't be able to recover the gift if you change your mind or your circumstances change.

So how can you gift money but still benefit from flexibility, access, and IHT efficiency?

## Making a gift into trust

Making a gift into trust can solve a lot of these concerns but can still start the seven-year IHT clock immediately. Here's how they work:

Any money you gift into trust becomes the property of the trust and no longer belongs to you. The new legal owners are the trustees, who you choose to run the trust. Money is held in a trust fund for your chosen beneficiaries.

Depending on the type of trust you choose, you can either name your beneficiaries at outset or build in flexibility. You may also be able to access some or all the trust fund in the future.

Today's modern trusts are designed to fit around your lifestyle, and deal with the 'what if I need the money in the future' scenario. For example, the aptly named Quilter Lifestyle Trust allows you to make a gift of your money today, with the flexibility to access some of the trust fund at selected dates in the future. This gives confidence to those wanting to reduce the value of their estate but are uncertain about their future financial needs.

A trust can also help speed up the process of passing wealth to your beneficiaries when you pass away. As the money you place in a trust no longer 'belongs' to you, there is no need for the trustees to wait for probate before that wealth can be passed on to your chosen beneficiaries.





### Remove complexity by using professionals

Trust planning can be complex, and it's important you speak to your financial adviser. Your financial adviser can ensure you select the most appropriate trust for your needs and can help set up the trust by completing the trust deed. They will also be able to discuss any additional costs with you.

If you are concerned about asking family members or friends to take on the responsibility of being a trustee, you can select a professional trustee to run the trust for you. This will provide peace of mind that all the reporting and tax obligations are taken care of.

### Start the conversation with your adviser today

Gifted money into trust is a great way to control the distribution of your wealth to your loved ones. It can help remove some of the drawbacks of outright gifting by giving you flexibility and access (depending on the trust chosen) while still benefiting from the seven-year clock starting now. Speak to your adviser for more information on whether trust planning could be right for you.



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Author: Quilter

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# Why diversification matters

Get the right balance between risk and reward for a more relaxing investment journey.

“Buy land, they’re not making it anymore.”  
Mark Twain had a point, but was he onto a surefire investment winner?

For centuries, unwary investors have been tempted to chase returns by jumping on the latest money-making bandwagon. But history has shown that over-committing yourself to one investment idea can go horribly wrong.

Way back in the 1630s, Holland was gripped by Tulip Mania, when tulip prices soared twentyfold in four months before plunging 99% a few months later, causing financial ruin for a broad swathe of the Dutch population.

In the South Sea Bubble of 1720, investors piled into shares of the South Sea Company after the British government promised it a monopoly on all trade with the Spanish colonies in South America. Anticipating a repeat of the success of the East India Company, shares in the company surged eightfold in six months, before collapsing shortly after, triggering a major economic crisis.

## Property plan

In hindsight, Twain’s real estate conviction has proved to be the root cause of more recent asset bubbles too.

In the 1980s, Japan’s government launched a huge stimulus programme to counter the country’s 1986 recession. But the measures worked too well. Rampant speculation saw the value of Japanese stocks and urban land triple between 1985 and 1989. At one stage it was reckoned that the value of the Imperial Palace grounds in Tokyo was greater than all the real estate in California.

Eventually, the bubble burst and years of deflation and stagnant economic growth followed. Arguably, Japan’s economy has still not shaken off the impact of the so-called ‘Lost Decade’.

The stellar ascent of the big technology stocks has driven the out-performance of US equities in recent years, as shown in the chart below. But back in the 1990s, when the internet was in its infancy, reckless speculation saw new and unproven technology businesses achieve multi-billion-dollar valuations as soon as they went public. When the Dot-com Bubble eventually burst, the US market plunged 78% and triggered a recession.

After having their fingers burnt with tech, US investors switched their attentions to the perceived safety of real estate. The frenzy surrounding US housing culminated in the Global Financial Crisis of 2007-2009, when the world’s entire financial system was at risk of collapse. The resulting economic contraction was the biggest since the Great Depression of the 1930s.

## Spread the load

History has taught us that there’s no such thing as a guaranteed investment winner. No-one knows which investment is going to produce the best returns from one year to the next. In fact, the best-performing investment often turns out to be the worst-performing the following year.

Investing can be a thrilling and scary ride for those with the stomach for it. But for most investors, their life savings are too important to gamble with. They would prefer a more sedate journey towards financial security; one that avoids the compulsion to anxiously check their valuations every time they read or hear some bad news. The solution is to have a well-diversified and balanced portfolio.

The adage of not putting all your eggs in one basket is at the core of what investment diversification is all about. By spreading your money across different asset classes, industries, companies and geographies, you limit your exposure to any one type of investment, which helps protect you when things go wrong.

Inevitably, holding a diversified portfolio means that all your investments may not go up at the same time. On the other hand, they shouldn’t all go down either. They will react differently to the latest economic or geopolitical events. Having a broad mix of investments should help even out the impact of the inevitable peaks and troughs of markets.

Of course, when markets are on a roll, holding a diversified portfolio can feel disappointing because the extent of your upside is limited. But it’s important to remember that the purpose of diversification isn’t to maximise your returns; it’s to minimise the impact of downturns.

The idea is to reduce volatility and achieve more consistent, smoothed returns over the longer term.

By doing so, it should help you sleep more easily at night and put you on a less stressful path to achieving your investment goals.

## Asset bubbles through history: the 5 biggest

<https://www.investopedia.com/articles/personal-finance/062315/five-largest-asset-bubbles-history.asp>



# Protecting your wealth for your lifestyle and your family



In the hustle and bustle of daily life, it's easy to overlook the importance of protecting our financial security both for now and in the future.

We work hard to build a comfortable life for ourselves and our loved ones, but what happens if the unexpected happens and we become too ill to work. How can we ensure that our security today and our financial legacy remains intact for the next generation?

One of the most effective ways to protect our wealth is by incorporating income protection and critical illness cover into our financial planning. These two insurance options provide a safety net during challenging times, offering financial support when we need it most.

Together, these two types of insurance complement each other to offer comprehensive financial protection:

- Income protection provides a proportion of your income, approximately 60-70%, in case of illness or injury, ensuring you have a reliable source of income to sustain your lifestyle and your financial plans.
- Critical illness cover offers a tax-free lump sum payment upon diagnosis of a specified serious illness, providing a financial cushion to take a huge weight off your mind at a difficult time.

By combining income protection and critical illness cover, you can protect your wealth, protect your lifestyle and protect your financial legacy in the face of unexpected health challenges.

- **Maintaining your lifestyle**

Both income protection and critical illness cover can help you continue your lifestyle by providing financial support. Whether it's paying the mortgage, paying bills, continuing your pension and investment contributions, these insurance options offer flexibility, security and peace of mind.

- **Preserving your savings and investments**

You won't need to dip into your savings, sell investments or reduce your pension contributions to maintain the lifestyle you're accustomed to and are planning for. With income protection in place, you'll have a reliable source of income to cover your expenses during times of illness or injury. This means you can preserve your savings for future goals and emergencies, without the worry of depleting them.

- **Protecting your legacy**

By protecting your financial stability, income protection and critical illness cover can ensure that your wealth remains intact for future generations. You can pass on your assets and provide for your loved ones without worrying about unforeseen financial setbacks.

Incorporating income protection and critical illness cover into your financial planning strategy is a proactive step towards protecting your financial legacy for the future. Speak to us to secure your financial well-being for now and for generations to come.

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Author: 2plan



# 5 key principles to successful investing



Investing may seem overwhelming, especially if you're just starting out. But with a few simple principles you can begin building your financial future with confidence.

This article explains five key investment principles designed to help you to navigate the complex world of investing and take the first step towards achieving your investment goals and succeeding in long-term wealth.

## 1 Power of compounding

First on our list is the power of compounding. Compounding is the process where your investment earnings generate their own earnings. This means that the earlier you start investing, the more time your money has to grow. For example, by reinvesting the interest you could have earned in US equities over the past 20 years, your average annual return would have been 9.3%. Without reinvesting that income, your returns would have only delivered 7.2% per annum.

## 2 Bond income

Next, let's talk about bonds. Did you know that interest, rather than price appreciation, is the biggest driver of bond returns? Bonds pay interest, known as coupon payments, which can be reinvested or used as income. In many cases, the total return from bonds largely comes from this interest income rather than fluctuations in their market price. Over the last 30 years, 97% of US government bond returns have come from income. So, when considering your portfolio, don't overlook the consistent income that bonds can provide.

## 3 Ignore volatility

Our third principle is all about mindset: ignoring volatility. Stock markets can be unpredictable, with prices fluctuating dramatically in the short term. But remember, these fluctuations are a normal part of the investing journey. Historically, the market has always trended upwards over the long term. Focus on your long-term goals instead of getting caught up in daily market movements. This is crucial to maintaining your investment strategy without letting emotions dictate your decisions.





## 4 Best and worst days

Now, let's discuss a surprising fact: the best days in the market often come right after the worst days. Many investors panic during market downturns and sell their assets, missing out on potential recovery and gains. Historically, being invested during those volatile times can lead to significant long-term rewards. So, don't let fear push you to make hasty decisions – stay invested.

## 5 Diversification

Finally, let's discuss the cornerstone of a robust investment strategy: diversification. By spreading your investments across various asset classes – like stocks, bonds, and alternatives – you reduce the impact of a poor performer on your overall portfolio. When it comes to diversification, think about different asset classes, different regions and different investment styles. Diversification across all of these areas helps minimise risk while maximising potential returns. Remember, never put all your eggs in one basket!



And there you have it – the five essential investment principles: the benefits of compounding, the significance of bond interest, the importance of ignoring volatility, recognising that the best days can happen right after the worst, and the value of diversification.

Investing doesn't have to be complicated – by incorporating these principles into your investment strategy, you can enhance your chances of financial success.

Your financial adviser will be there to assist you in navigating the investment world and will help you to better understand the five principles mentioned above. Please speak to your financial adviser for more information on how these principles apply to your investment portfolio.

The value of investments and any income can go down as well as up and cannot be guaranteed.

Author: Omnis

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# The true cost of retirement might ease IHT fears

The government has confirmed that from April 2027, most unused pension death benefits will be included in the deceased's estate for inheritance tax (IHT). There are a few exemptions however, such as death benefits paid to a spouse or civil partner or charity.

This has raised concerns for many who are funding pensions. However, for most people, concerns about IHT on pensions are likely overstated as many simply aren't saving enough to meet their needs in retirement.



## Life expectancy and retirement costs

When the Basic State Pension was introduced in 1948, the average life expectancy<sup>1</sup> was 66 for men and 71 for women. Today, a 65-year-old male has an average life expectancy of 86, and a female of the same age can expect to live until 89. This means that those retiring today could have two decades, or more, of retirement to fund.

An independent report by the Pension and Lifetime Savings Association<sup>2</sup> (PLSA) has estimated the annual costs in retirement for different standards of living for singles and couples:

- **Minimum:** £14,400 for singles, £22,400 for couples.
- **Moderate:** £31,300 for singles, £43,100 for couples.
- **Comfortable:** £43,100 for singles, £59,000 for couples.

The full New State Pension is £11,973 a year in 2025/26, indicating those with little pension provision could face a significant shortfall.

A 'moderate' retirement allows for eating out once a week, running a small second hand car and taking a one week European holiday each year. As the figures quoted are after tax, a single person targeting a 'moderate' retirement would need gross income of nearly £36,000 a year. Assuming they retired at 65 and were entitled to the full New State Pension at 67, they would need a pension fund in the region of £600,000\* to meet the 'moderate' standard of living, assuming their income increased each year by 3%.

## Long term care costs

A long life does not necessarily mean a healthy life either, as an ageing population is more likely to need care in later life, further increasing their retirement costs. The average cost<sup>3</sup> of residential care in the UK is currently £1,266 a week, rising to £1,554 for dementia nursing care. Life expectancy<sup>4</sup> in care homes ranges from 2.2 years for males aged 90 and over to 7 years for those aged 65-69, so the cost of care could quickly reach six figure sums for those who must fund it themselves.

## Inflation impact

Inflation increases the cost of living as prices rise. For example, someone who retired in 2015 with annual expenses of £20,000 would need £27,218 today<sup>5</sup> to maintain the same standard of living. This figure rises to £34,845 for those who retired in 2005 and doubles to £40,509 for those who retired in 1995.

The state pension and defined benefit pensions increase annually to offer some protection against inflation. However, those with defined contribution pensions would need to factor in inflation to their retirement plans. Annuities can be linked to inflation, but this does come at a cost, as the initial starting annuity income would be lower. Those in drawdown have the flexibility to increase their income each year but would need to take care that they are drawing a sustainable amount, and they won't run out of money.





## Conclusion

Many retirees will need to draw most or all of their pension to meet living costs. While IHT could be a concern for those dying early with significant pension savings, there is a greater risk that individuals will outlive their savings. Those who are likely to die with significant wealth and are not relying on their pension in retirement may need to adjust their financial plans. For most people, the focus should be on ensuring their retirement savings can support their desired standard of living. Robust financial advice and planning are essential to navigate the fine line between financial security and a potential IHT liability.



Author: Aberdeen

\*Assumptions

- Investment growth of 3.5% net of charges
- Fund exhausted after 25 years
- £64,000 tax-free cash used to meet income in first two years

- 1 [Life expectancy calculator](#)
- 2 [www.retirementlivingstandards.org.uk](http://www.retirementlivingstandards.org.uk)
- 3 [www.carehome.co.uk/advice/care-home-fees-and-costs-how-much-do-you-pay](http://www.carehome.co.uk/advice/care-home-fees-and-costs-how-much-do-you-pay)
- 4 [Life expectancy in care homes, England and Wales – Office for National Statistics](#)
- 5 [www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator](http://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator)



If you would like to discuss any of these topics in more detail, please feel free to contact me to make an appointment. If you have friends, family members or colleagues who you think would be interested in these topics, please pass this newsletter to them.



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