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PERSONAL FINANCIAL MANAGEMENT

MoneyMatters

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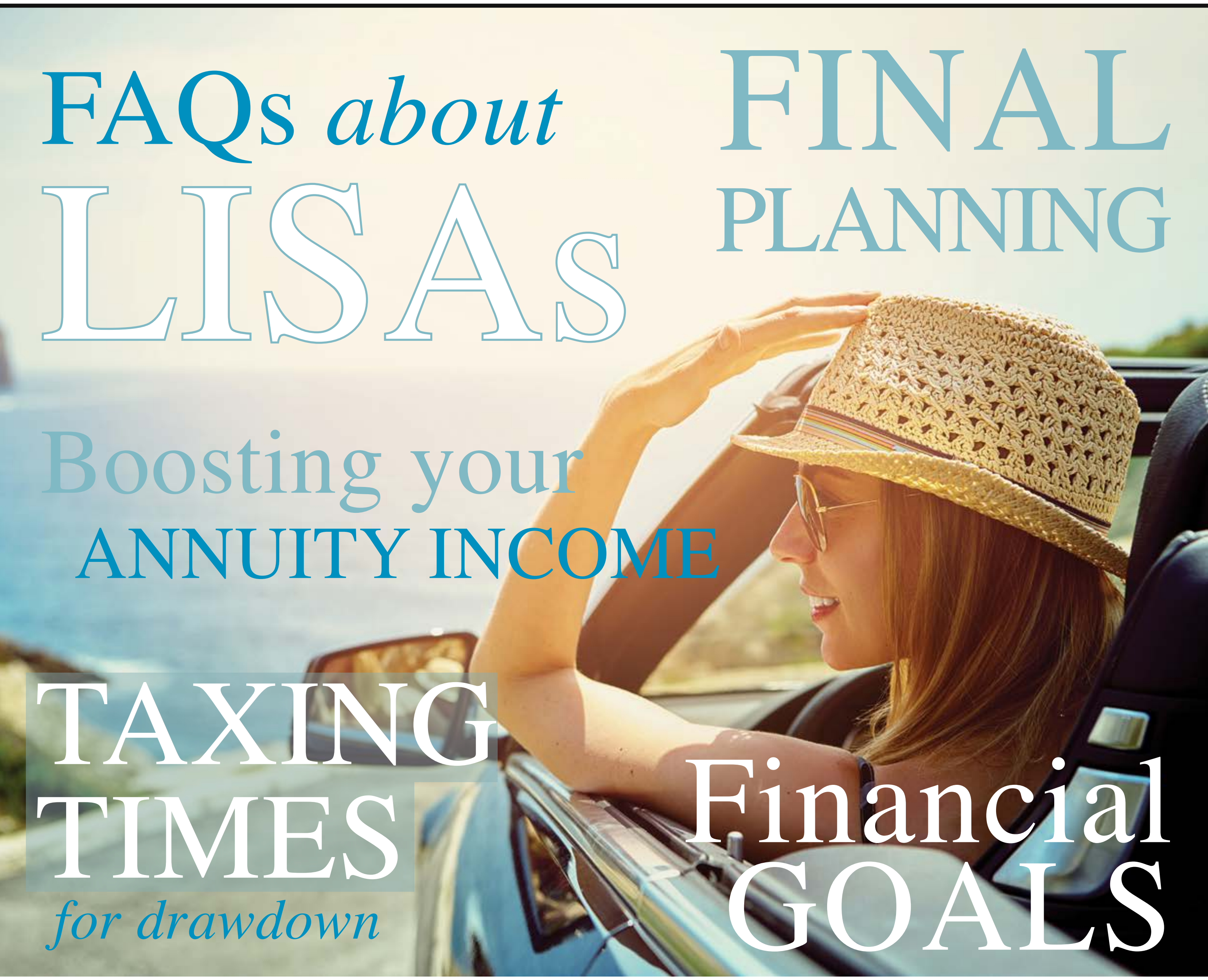

FAQs *about* LISAs

FINAL PLANNING

Boosting your ANNUITY INCOME

TAXING TIMES *for drawdown*

Financial GOALS

• Lifestyle Protection • Creating Wealth • Tax Rules

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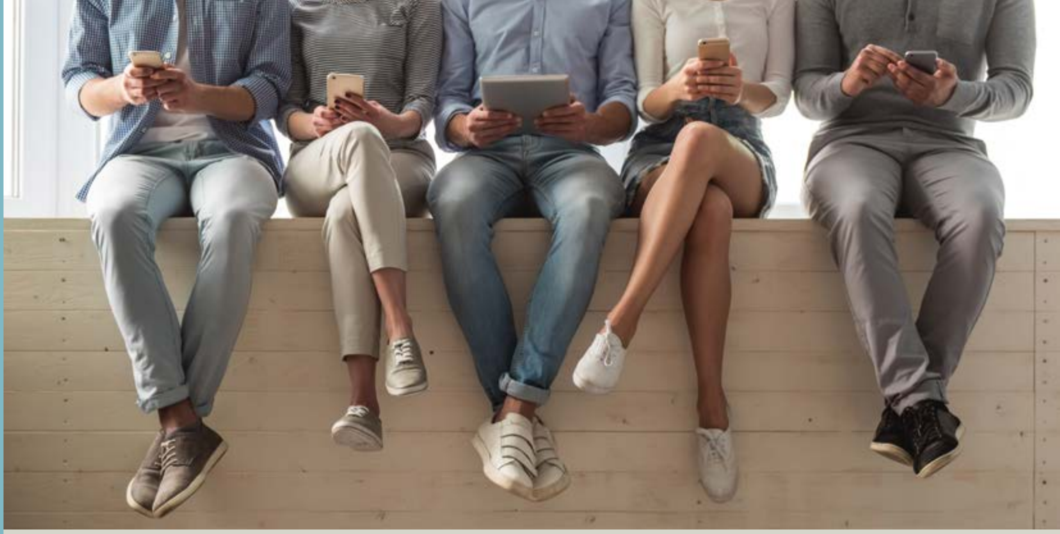

Choosing investments for your Lifetime ISA

The new Lifetime ISA offers investors aged under 40 the opportunity to invest up to £4,000 each year, and receive a 25% government bonus, worth up to £1,000. Any Lifetime ISA savings can then be taken penalty-free from the age of 60, or be put towards a purchase of a first property. Any other withdrawals are usually subject to a 25% government penalty meaning you could get back less than you put in.

So what are the key ways to invest in a Lifetime ISA? How do you choose investments for a Lifetime ISA? Here we take a look to help you make your own decisions, but please note this article isn't personal advice. If you are at all unsure of the suitability of any investment for your individual circumstances please contact us for advice.

CASH IS KING

If you are saving to buy a home and plan to buy it within the next five years, then cash may be the better option. This is because investments, like shares, bonds etc., should generally be held with a minimum time period of five years to maximise any gains.

You can hold cash in a Lifetime ISA, and there are no charges to hold cash, but please note you won't earn any interest, but you will still receive the government bonus. Please remember that a Lifetime ISA must be open for at least 12 months before any bonus can be put towards a property purchase, so providing you are planning to buy a property in the near future, it could be worth getting your Lifetime ISA open as soon as you can.

FIVE TO 10 YEARS SAVING PLAN - CONSIDER CAUTIOUS INVESTMENTS

If you have a longer term strategy and are considering saving for between five and 10 years, then you could consider those more conservatively-managed investments, which can offer a good potential return, but with less volatility than investing purely in the stock market. Although like any investments they could fall as well as rise in value, so you could still make a loss.

10 YEARS OR MORE - CONSIDER TAKING MORE RISK IN SEARCH OF HIGHER RETURNS

If you plan is to save for 10 years or more, maybe because a house purchase is still a long way off, or you are saving for later life, then you could consider taking a courageous route in search of higher returns depending on your own attitude to risk. Funds which invest exclusively in the stock market, historically deliver better long-term returns than cash and other low risk investments, but with greater short term volatility. Remember, past performance is not a guide to the future.

The value of your investment and the income from it can go down as well as up and you may not get back the original amount invested. Past performance is not a reliable indicator for future results. Levels, bases and reliefs from taxation are subject to change and their value depends on the individual circumstances of the investor. Please contact us for further information or if you are in any doubt as to the suitability of an investment.

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The election result and your pension

At the time of writing, it appears the Conservative Party will form a minority government. However, they may need the support of the Democratic Unionist Party (DUP) to implement their policies.

From this we need to assess what this means for pensions and what this could mean for investors too.

Based on pre-election manifestos and remember manifestos are only a pledge and final policies often differ.

Tax relief changes

Tax relief, which is the generous boost you get when you add money to a pension, was a moot point during the election campaign. Neither the Conservatives nor the DUP confirmed or denied any plans, so they both have left the door open to potential changes in the short term.

Pension tax relief is a benefit which costs the government £38.2bn a year, making it a tempting target for cost-saving by any government. It's well documented that cuts have been announced eight times in the past seven years.

What could this mean for pension investors? If tax relief is cut yet again, the cost of saving for your retirement could rise. Therefore, it may be prudent to consider making the most of the current rules and maximising pension contributions now if this is something that you have been thinking of doing or have not done to the maximum this year.

When you add money to a private pension, you currently receive up to 45% tax relief, depending on your circumstances. Remember, money in a pension can normally only be accessed from age 55 (57 from 2028), usually up to 25% tax free and the rest taxed as income. The exact benefits depend on your individual circumstances.

Working and waiting longer, for less

The Conservatives have pledged "the state pension age will reflect increases in life expectancy". With life expectancy rising quickly, this could mean you have to work and wait longer to receive your state pension and who knows how much it will be worth. There are already plans to increase it to 68 by 2046, but many experts believe we will see further age increases in the coming years.

The Conservatives also plan to replace the triple lock with a double lock in 2020. Under the triple lock, the amount you receive, currently a maximum of £159.55 a week, is guaranteed to increase each year by the higher of inflation, average earnings or 2.5%. Under the double lock, it will increase by the higher of inflation or average earnings. The Democratic Unionist Party support the triple lock, which could mean a change of thinking.

What could this mean for pension investors?

The state pension could very well end up being less generous and you may have to wait much longer to receive it. Remember nobody cares as much about your financial future as you do, so consider making your own plans and looking after yourself as soon as possible.

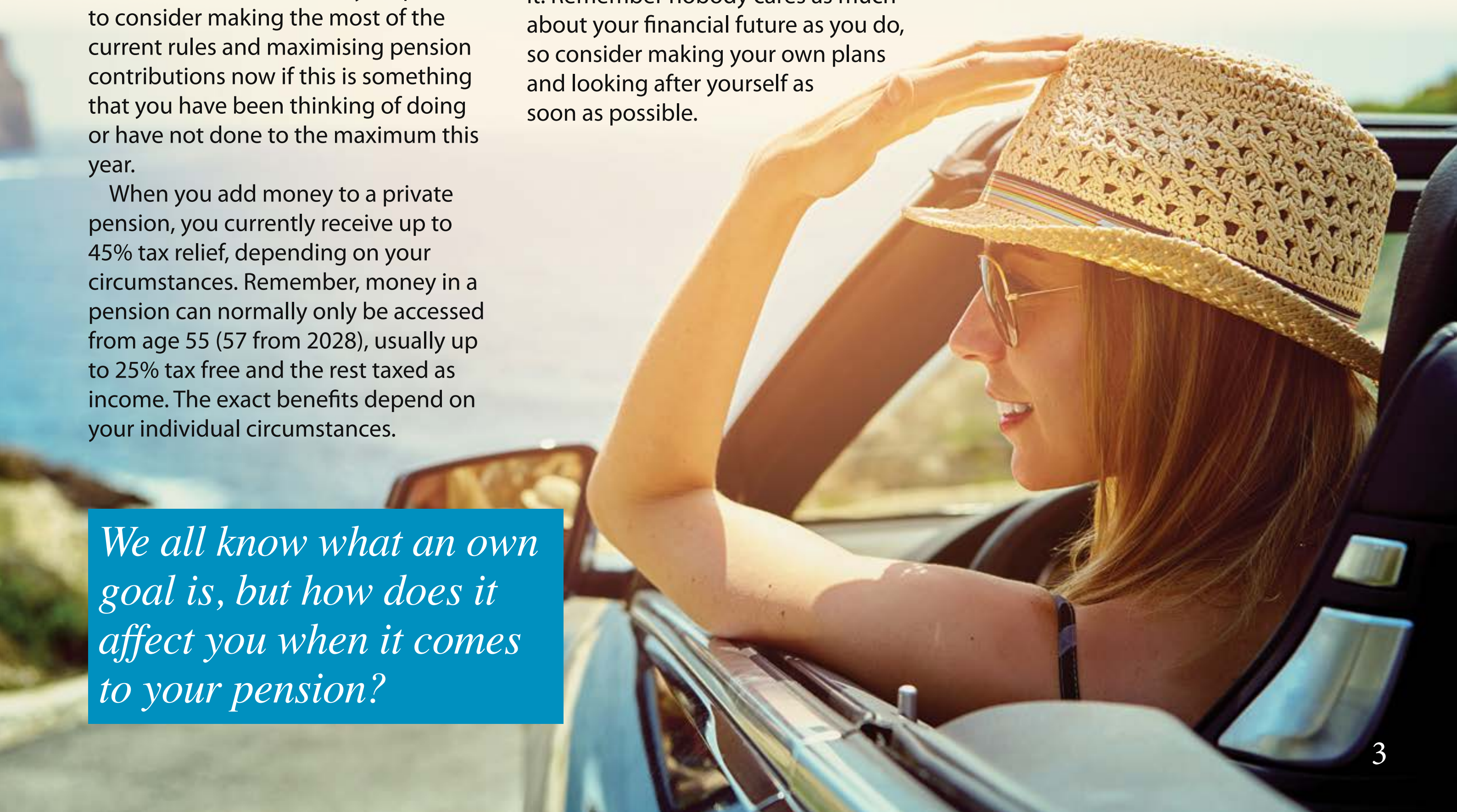
What about the stock market?

We all know in some cases political uncertainty can lead to market instability. Your pension could fluctuate in value as details of the new coalition government continue to emerge.

You will need your pension provider to keep you up-to-date with the latest news and explain how this could impact your investments? Being able to log in 24 hours a day to see how your pension is performing and make changes will be key, as will being able to speak with someone knowledgeable and helpful about your account when it suits you.

If you feel this is not possible with your current provider, perhaps it's time to consider switching provider. The more transparent and easier your pension is to manage, the better support you receive, the better decisions you should be able to make.

Before you transfer, please ensure you will not lose valuable guarantees or benefits or incur excessive exit fees. Unless otherwise arranged, pensions are transferred as cash so you will be out of the market and miss any rises or falls for a period.



We all know what an own goal is, but how does it affect you when it comes to your pension?

Final planning

Do you have a final plan and is it in place?

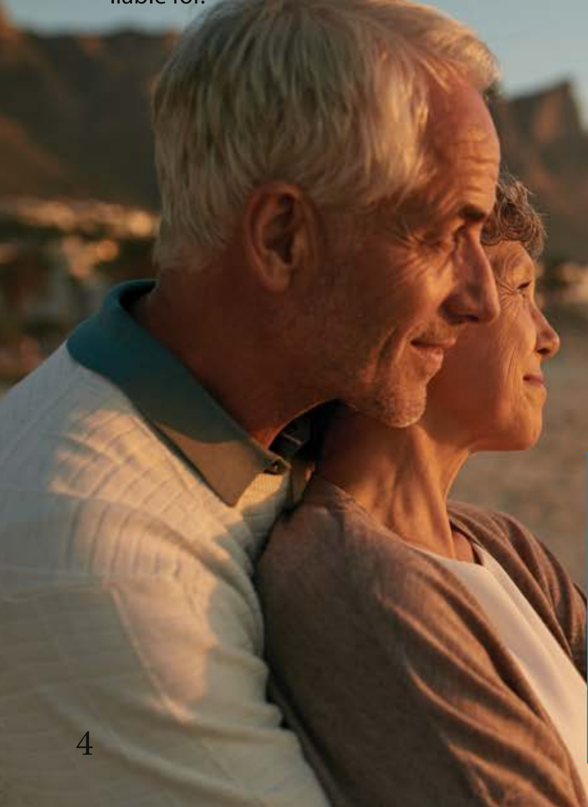
We all want to make sure our loved ones are left secure when we die and knowing they are at least a little bit better off as a result of our life. It's a nice thing to be able to achieve this, so you need to make suitable arrangements for those dependent upon your financial resources, and also to ensure that you don't leave them with a financial disaster.
Here are some simple ways you can follow to leave your wishes crystal clear upon your death:

1 Make a Will or update your old one

Probably the biggest decision in estate planning is deciding who will benefit most from your estate. A professionally drafted Will is the only way of making life legally easier for those you leave behind and could save them a lot of tax. Plus, a Will avoids your beneficiaries having to deal with the potentially awkward rules of intestacy.

2 Create a list of your assets and debt

Making a simple list of your assets and debts will make things easier for those dealing with your estate. This is also a useful tool to estimate how much Inheritance Tax your estate might be liable for.



3 Ensure you use your gift allowances

Every tax year you can gift up to £3,000 tax free. But there are other lesser-known gift allowances that you can use too. For example up to £5,000 when a child gets married (£2,500 for each grandchild), or the unlimited number of regular gifts you can make from any surplus income you may have. Using up all of your allowances can reduce future inheritance tax liabilities.

4 Simplify your holdings

In your lifetime you have probably changed jobs several times over the years. Therefore, it's likely that you will have numerous pensions pots set up with many providers. You may want to consider consolidating your pensions and investments, making them more transparent and with less paperwork. Before transferring any pension you should check for loss of guarantees or benefits and excessive exit charges.

5 Consider the new pension rules

Pension rules have changed and with it the taxes applied to pension pots at death. It's not so long ago that up to 82% tax was potentially payable. Now many pension funds are normally tax free on death before age 75. For deaths after age 75, beneficiaries are charged their rate of income tax on withdrawals e.g. 20% for basic rate taxpayers. That's half the standard rate of IHT and, if the beneficiary is a non-tax payer, they could pay no tax at all. Tax rules can change and any benefits depend on personal circumstances.

6 Gifts to charities

Charitable gifts are totally IHT free and they can reduce the rate at which IHT is charged on the remainder of your estate if you leave 10% of your taxable estate to charities.

7 More tax benefits from ISAs

ISAs were recently overhauled to make them even tax planning effective. If you're married or in a civil partnership, you can now pass the income and capital gains tax benefits of your ISA savings to your surviving spouse following your death. It is also possible to create an IHT-free ISA - invest in certain AIM shares within the ISA and these qualify for an IHT exemption after two years.

8 Get professional financial advice

As time goes by estates become larger and more complicated, advice from a professional will help navigate your way through your options to find the best solution for you. This is more relevant today with extended families, or where your estate has multiple properties or business interests. A professional Financial Adviser could work with you to help you to plan your estate taking into account your personal situation and your desired outcomes.

This article is not personal advice. Tax rules can change and benefits depend on personal circumstances.

If you would like a Financial Adviser to assess your personal circumstances please contact us for a consultation today.

Would you pass on your family home to a child or grandchild or would it be a sibling? A new additional main residence nil-rate band allowing for less Inheritance Tax to be paid came into force from April 2017. When a family home is left to 'qualifying beneficiaries' such as children and grandchildren less Inheritance Tax is paid. Assigning a family home to a sibling rather than a child means the new additional RNRB doesn't apply

Financial goals

Everyone would like financial freedom and with it security in knowing that they have sufficient money to live the lifestyle they want.

How is this achievable?

Setting goals is the first step in any financial plan, but it's surprisingly often overlooked.

If you don't put in place achievable targets, it's almost impossible to make a coherent financial plan. The likely outcome to this approach to your finances will end up dysfunctional, time-consuming and not very effective.

Be realistic

What really is financial security? It means different things to different people. If you are struggling to list out your goals, try to classify them as either a want or a need. You can also divide them into long-term and short-term goals.

The most important thing is making your goals realistic: a good professional financial adviser will spend many hours ensuring your objectives are achievable and affordable to you.

Once you have set out your desired outcome, you then need to understand where you are now so you can begin to break down the action you need to take.

Goal driven financial advice

Financial Advisers are professional experts at helping set goals that are realistic and which make the most sense. A Financial Adviser can help take the weight off your shoulders and save you from those money management worries we all experience at certain points in our lives.

Your financial adviser will help you quantify your current financial position and then calculate an appropriate plan to get you to where you want to be. Importantly they can provide the very best administration to ensure that you can stay on top of your current financial position; without having to lean on an adviser in the future, though they will always be around if and when you need them.

How does their approach get you there?

1 Spend the time to look and understand what financial freedom actually looks like and what plan will make sense for you personally.

2 Explain which products and services are suitable and value for money and focus on making sure you only pay for advice that you need.

3 Maximise all your benefits including tax benefits by making full use of tax advantages and tax planning to create real progress in achieving your goals.

4 Financial advisers are now 100% transparent on charges, allowing you to make informed choices and you are not sold a plan that benefits your adviser more than you.

5 Provides a professional service through a firm that has the financial security and succession in planning especially in respect of advisers to ensure they are actually there in your future when you need them.

Helping to achieve your goals

We can help you achieve your goals, you can call us today and we'll talk you through pensions, savings and investments to find out whether financial advice could help secure your financial goals. Only if it sounds right for you, will we set up a meeting with a Financial Adviser.

Our experienced adviser will help you identify which of our approaches is best for you, making sure you are happy with our advice and of how we can help and what your next steps should be.

Financial advice is not always right for everyone. For those that don't need financial advice we are happy to provide free guidance on how to manage your finances yourself.

The most frequently a

Lifetime ISAs

The new Lifetime ISA (LISA) offers many people an exciting and flexible way for adults under 40 to start saving for their first home or later life with a 25% boost from the government. Since the LISA launched in April 2017 there have been many questions from clients wondering how they can take full advantage of the new government scheme.

Here we offer answers to some of the most frequently questions about this new flexible and tax-efficient way of saving. Please remember that tax rules change and benefits depend on individual circumstances.

The frequently asked questions about Lifetime ISAs

Q: Can I open a Lifetime ISA and have other ISAs?

Yes, you can open and pay into other types of ISAs such as Cash ISAs, Stocks & Shares ISAs alongside your Lifetime ISA, but like other ISAs, you can only be able to pay into one Lifetime ISA in each tax year.

Q: What is my ISA limit?

The ISA allowance has risen to its biggest ever this tax year (2017/18) and you can currently contribute up to £20,000 across all ISAs, of which £4,000 can be contributed to a Lifetime ISA. The government bonus (up to £1,000 per year) will not count towards the £20,000 overall ISA limit or the £4,000 Lifetime ISA limit.

Q: Can I pay into a Lifetime ISA for a family member?

Under HMRC rules, only the account holder can open and pay into the Lifetime ISA. You can choose to gift money to the account holder for them to pay into their own Lifetime ISA.

Q: How is the government bonus paid?

You don't claim the Lifetime ISA bonus, as it will be done by your provider and automatically added to your account. In a Lifetime ISA, if you make contributions during the 2017/18 tax year your provider will claim your bonus from HMRC in April 2018 and it will be paid into your account by 4 May 2018.

From 6 April 2018 onwards, your provider will claim the bonus at the earliest opportunity and you will receive the bonus within four to nine weeks of the contribution.

Q: Withdrawing money from a Lifetime ISA?

You can withdraw money tax free from the Lifetime ISA when used to purchase your first home worth under £450,000, after age 60 or following diagnosis of a terminal illness.

If you choose to withdraw the money at another time, this will be seen as an 'unlisted withdrawal' and will have a 25% government withdrawal charge penalty. This charge could result in you getting back less than you invest.

This charge does not apply if you withdraw money in the current tax year (2017/18). Being its first year, your Lifetime ISA will be closed and no bonus will be claimed, unless you have been diagnosed with a terminal illness.

Q: What are the property restrictions with my Lifetime ISA?

You must not own and have never owned a residential property beforehand. Being in such a position allows you to use the money in the Lifetime ISA (including the government's bonus) to purchase your first home without incurring the 25% government withdrawal charge.

The residential property you buy must be in the UK and must not exceed £450,000. It must also be funded by a mortgage or regulated home purchase plan meaning a cash purchase would not be permitted.

Before you can use a bonus to purchase a property, you will need to have had the Lifetime ISA open for at least 12 months.

In order to use the Lifetime ISA to purchase your first home without the 25% government withdrawal charge you will need to have had the Lifetime ISA open for at least 12 months (unless your withdrawal is within the current 2017/18 tax year).

Q: How do I use my Lifetime ISA to purchase my first home?

When you buy your first home, you will need to contact your conveyancer. They will ask you to complete a declaration, and then provide a declaration to your provider. They will then pay the amount requested directly to them and if the purchase does not complete within 90 days of the withdrawal, the amount withdrawn will be returned to your Lifetime ISA.

Q: Is it possible to transfer a Help to Buy ISA to a Lifetime ISA?

Yes, it is possible to transfer a Help to Buy ISA into a Lifetime ISA, by doing so you could potentially get a bigger government bonus.

sked questions about

It is also important to note you can only hold cash in a Help to Buy ISA whereas you can invest in the stock market with a Lifetime ISA.

You can choose to hold both a Help to Buy ISA and Lifetime ISA, but please note that you will only be able to utilise the government bonus from one of the products towards a first home purchase.

Q: Can cash be held in a Lifetime ISA?

You can open your Lifetime ISA with cash and qualify for the government bonus and then choose your investments at a later date. There is no charge for holding cash, and no time limit either, but you won't receive any interest.

Q: Can I jointly use the Lifetime ISA for a first home and retirement?

Yes, you can use the Lifetime ISA to invest for both your first home and retirement. However, should you use all of the funds in your Lifetime ISA to buy your first home then the LISA will be closed. After this and providing you are still aged between 18 and 39 you will be able to open a new Lifetime ISA to save for your retirement.

If you do not use all of your Lifetime ISA to purchase your first home then the Lifetime ISA will remain open and you can continue contributing to it until the day before your 50th birthday.

If you don't have a Lifetime ISA or if your Lifetime ISA is closed and you are aged 40 or over you will not be able to open a new Lifetime ISA.

LISA FACTS

- All UK adults aged between 18 and 39 can open a LISA and contribute up to £4,000 each tax year.
- All contributions up to the allowance before your 50th birthday receive the 25% government bonus.
- For every £100 contributed, the government will add a further £25 up to a maximum of £1,000 a year.
- All money can be withdrawn tax-free when used to buy your first home worth up to £450,000, or after you reach age 60. Other withdrawals are usually subject to a 25% government withdrawal charge which means you could get back less than you invest.

How to choose a tracker fund

Tracker funds are a good way of getting started in the share market; they provide a low-cost way to gain exposure to a broad range of shares or bonds. Their aim is to track the performance of a particular market index, such as the FTSE 100 in the UK or S&P 500 in the USA.

Tracker funds are 'light touch' managed, as they simply aim to replicate the make-up of the index they are tracking. This is in direct contrast to a 'hands on' fund, where the manager will generally select a few investments from the index with the aim of beating what the index returns over the longer term.

Investments, like 'hands on' actively-managed funds, can be added later on with the aim of boosting returns, generating a higher income, or reducing risk, depending on your investment objectives.

How do you decide which tracker fund to invest in?

Which index?

The most important consideration is which index to track and will it meet your objectives. It is generally felt that a broader, more diversified indices will be better and have wider appeal with less risk.

An investor who seeks passive exposure to the UK stock market, for example, has three options.

FTSE 100 – the largest 100 companies in the UK

FTSE 250 – the next 250 largest companies

FTSE All Share – includes all those above plus around 300 smaller companies

The FTSE 100 is the premier index, but this tends to be dominated by multi-national companies whose fortunes are not really tied to the UK economy. In reality, around three quarters of the revenue earned by FTSE 100 companies comes from overseas.

The FTSE All Share is a much broader index. It provides exposure to companies of all sizes and across a broad range of industries. It is, some would say, a better gauge for the UK economy and is more likely to be considered by investors who specifically seek exposure to UK-focused companies.

The choice of index is probably more important for overseas markets, where investors are likely to be less familiar with the index options available. For instance, in the Asia Pacific region, the FTSE AW Developed Asia ex. Japan Index provides exposure to Australia, Hong Kong, New Zealand and Singapore. The FTSE World Asia Pacific ex. Japan Index provides exposure to Korea, Malaysia, Taiwan and Thailand, in addition to the four countries mentioned above. Therefore the latter index is a better choice for investors seeking a much broad exposure to the Asia Pacific region.

How much are the charges?

Costs are often the main factor in determining tracker fund performance. Over time costs gradually reduce a fund's performance and the higher the costs the greater this cost drag will become. It is therefore very important for an investor to seek the lowest possible charges at the outset.

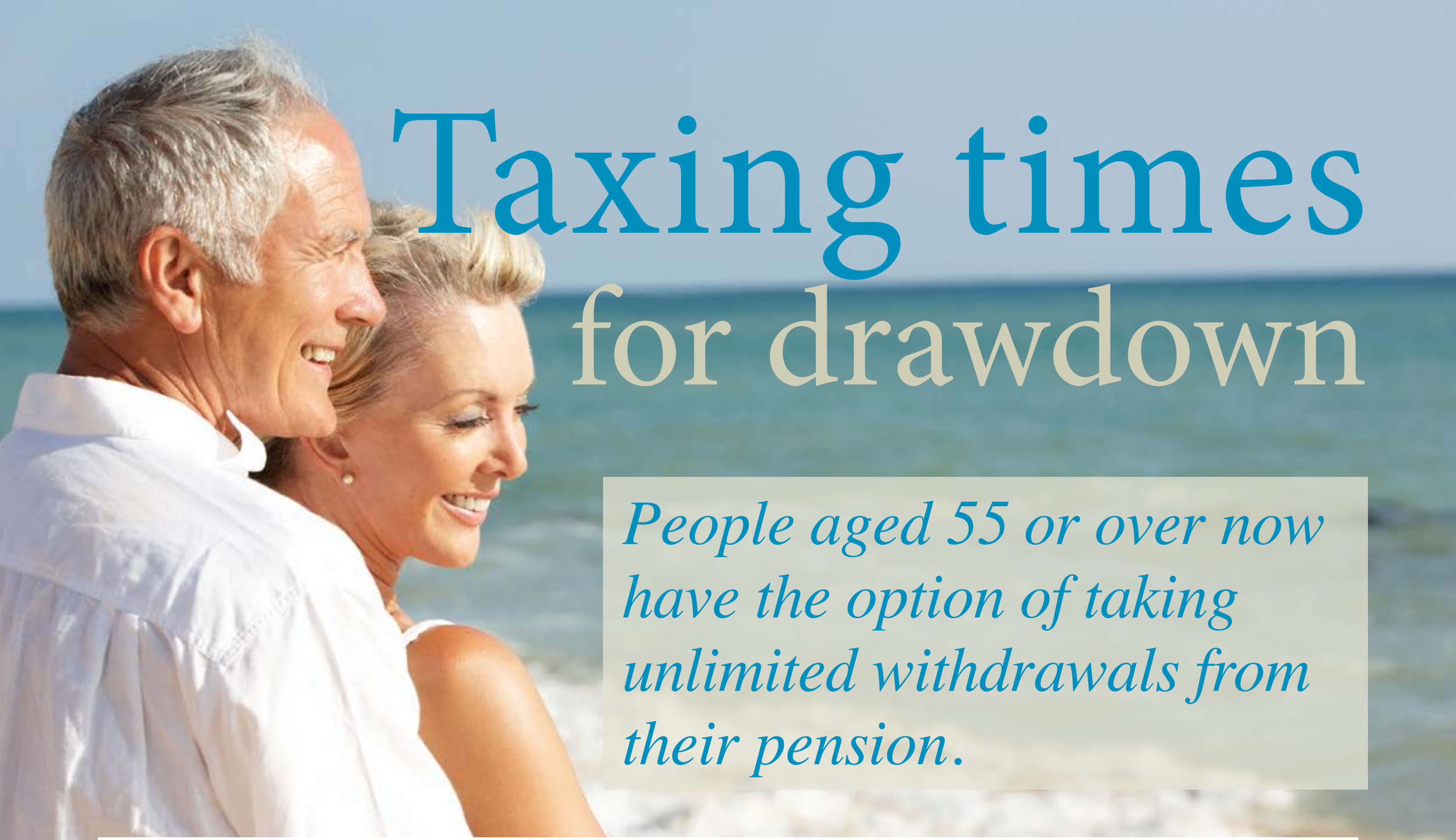
The manager influence

Managers of tracker funds are not making 'hands on' decisions to invest in some stocks and exclude others; they each construct their funds in slightly different ways. It is therefore important, to consider a range of tracker fund providers and select the best one in each area.

In addition to the index and the charges, the main considerations from this point of view are the method used to replicate the index, and how much the manager becomes involved in stock lending.

Stock lending – The process where a fund lends its holdings to a third party in exchange for a fee. Stock lending is a useful tool for managers to offset costs, but it does carry some risk. Managers are comfortable with a fund lending stock only if investors benefit from lower fees and the manager takes steps to control the risks.

Replication – Full replication is when the manager holds all the shares or bonds in the index, whereas partial replication is when the fund chooses not to hold some smaller stocks. Partial replication is common where the index being tracked has a large number of constituents. Most managers agree that generally full replication is best for investors, as it leads to more precise tracking, but recognise that this is unfeasible in some markets.



Taxing times for drawdown

People aged 55 or over now have the option of taking unlimited withdrawals from their pension.

These new pension reforms have opened up a world of possibilities for those who have for years saved to build up their pension pot.

Since these freedom reforms, the government has doubled the estimates for tax revenues it expected to receive from these pensioners to the tune of £1.6bn. Probably the most popular way of taking full advantage of the new freedoms has been drawdown, which as a flexible option, allows you to withdraw as much or as little as you wish from your pension while keeping the remainder invested. Normally you can take up to 25% of the fund as tax-free cash at the start and then take more regular or one-off taxable withdrawals along the years.

How would my first income payment be taxed?

Many people want to know what the tax implications are. A further drawdown, after the initial tax-free cash, is taxable via PAYE (Pay As You Earn). It is the same as how your income from employment is taxed, but the good news is there is no National Insurance to pay.

However, beware that it is common to pay too much tax on your first payments, due to the way HM Revenue & Customs (HMRC) requires your provider to tax you. This could be because they have to apply an emergency tax code and/or tax you on what's known as a 'Month 1' basis.

Don't worry if you overpay tax

If you overpay tax you can contact HMRC and reclaim it. To claim your tax back you can download one of three forms, depending on the circumstances.

- If you have withdrawn all of your pension and have no other income you should complete form P50Z
- If you have withdrawn your whole pension and have other streams of income you should complete form P53Z.
- If you have not withdrawn all of your pension, you will need to complete form P55.

You do not need to wait until the end of the tax year to reclaim your over tax payments.

If you want to wait to claim back the tax, HMRC's tax code system should result in the overpaid tax being reimbursed automatically. If you complete a self-assessment tax return, you can also claim it back through this route instead of the other options.

Paying tax on withdrawals afterwards

Once HMRC has supplied an accurate tax code to your provider, all further withdrawals will be taxed in line with standard tax bands based on your individual personal allowance.

You must be aware that should you take large withdrawals in the same tax year could move into a higher tax band. To make the most of your tax allowances you could consider spreading withdrawals over more than one tax year, each tax year runs from 6th April to 5th April.

Imagine your normal annual income is £23,000; this makes you a basic-rate taxpayer. However if you were to make a one-off drawdown withdrawal of £30,000 in the same tax year, you would now become a higher-rate (40%) taxpayer overnight and would pay higher-rate tax on the excess above £45,000 (£43,000 if a Scottish taxpayer). However, if you split the withdrawal and took £15,000 in one tax year and £15,000 in the next you would remain within the basic-rate tax band in both years.

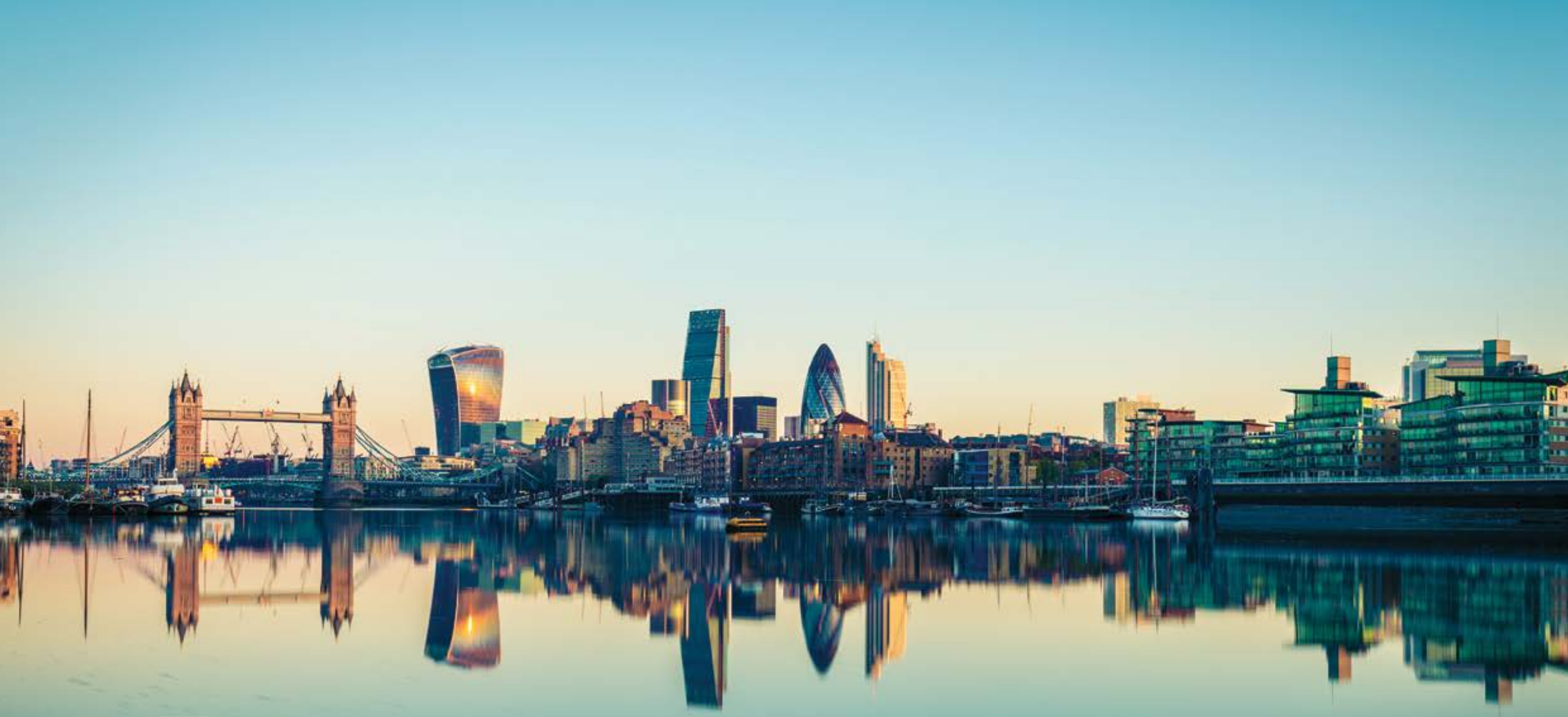
Tax-free drawdown

If you have very little or no income from other sources you can potentially take all your withdrawals from drawdown tax free. Ensuring the total amount you withdraw, when added to any other income in the same tax year, is not more than your personal allowance (usually £11,500 in the 2017/2018 tax year).

One of the biggest benefits of drawdown is the flexibility. An investor/pensioner can increase or decrease withdrawals to minimise the amount of tax paid. For instance, if you receive more income from other sources you can reduce your income from drawdown withdrawals. Likewise, if you receive less income from other sources one tax year, you can increase your drawdown withdrawals, always top up and use up any remaining personal allowance.

Making pension decisions can be life changing, therefore, we strongly recommend you understand your options and check your chosen option is suitable for your circumstances: take appropriate advice or guidance if you are at all unsure, Pension Wise, the government service, provides free impartial guidance on your retirement options.

The value of your investment and the income from it can go down as well as up and you may not get back the original amount invested. Past performance is not a reliable indicator for future results. Levels, bases and reliefs from taxation are subject to change and their value depends on the individual circumstances of the investor. Please contact us for further information or if you are in any doubt as to the suitability of an investment.



Investing ratios

When you invest in shares, it's important to ensure you understand how to keep tabs on them and the companies you are investing in.

Here are three ways which can help you monitor your existing investments.

Operating profit margin

This ratio shows how well a company turns income revenue into profit, after accounting for the cost of sales, capital expenditure and property.

Companies which increase profit margins can do so by either becoming more efficient by controlling costs and overheads or because they are able to increase products and prices, without losing customers.

Conversely, a falling profit margin is normally a bad sign. This can be a symptom of falling demand, poor management, prices coming under pressure through increasing competition and no plan of dealing with it.

Price-to-earnings (PE) ratio

The PE ratio compares a company's market value with its current profits. This is done by dividing the current market price of the shares by the earnings attributable to a single share, its EPS (Earnings Per Share).

This ratio helps by comparing the market value of a company to its peers, or against its own history.

The PE ratio can be quoted on a historic or forward basis. 'Historic' uses the company's most recent earnings per share, while 'forward' uses the earnings per share predicted by analysts. Fund managers normally prefer to use forward PE as many want to focus on the future prospects of a company rather than its past performance.

A company with a current share price of 400p might have projected earnings per share of 20p per share, giving a PE ratio of 20x. This means that investors are willing to pay £20 for every £1 of profits. Typically, shares with a comparatively high PE ratio are regarded as more expensive.

When comparing PE ratios, you should understand why any investor would be willing to pay more for one company's earnings than another. It is because of future expectations, if an investor believes a company is set for above-average earnings growth in future years they are willing to pay a premium.

Free cash flow per share

Free cash flow is a great indication of a company's performance. It measures the amount of cash a company has generated after accounting for operating expenses like overheads, wages, purchases etc.

Cash is King and there's no getting away from the reality of cash. Free cash flow/number of shares shows how much cash is left over after necessary expenditure is deducted from money that comes through the door. Therefore free cash flow can be thought of as cash available for future projects, paying down debt or returning to shareholders. This makes it an essential tool in the investor's kit.

Using ratios

Ratios help to see how a company has changed over time, or to compare a company to its peers in the same sector. However, there is limited use in comparing the key ratios of companies across different industries, or at different stages of development. Investors shouldn't use ratios in isolation when making their decisions, ratios are a tool, but not the only tool in an investors bag.

The value of your investment and the income from it can go down as well as up and you may not get back the original amount invested. Past performance is not a reliable indicator for future results. Levels, bases and reliefs from taxation are subject to change and their value depends on the individual circumstances of the investor. Please contact us for further information or if you are in any doubt as to the suitability of an investment.

Lifestyle factors that could boost your annuity income

An annuity pensions is secure, regular, taxable income which you can buy with your pension pot from an insurance company when you retire. In return for your pension pot, the insurance company will pay you an income for the rest of your life, regardless of how long you live for.

Some of your lifestyle details can increase annuity payments; therefore it is important to declare them all, even those you feel may not be significant. Qualifying for an enhanced annuity is one of the most common ways to increase the income on offer. Enhanced annuities pay more income based on any declared health and lifestyle details, generally this means, the poorer your health, the more income you will receive. However, you don't have to be seriously ill to qualify, by simply declaring even minor lifestyle factors could increase your income.

How much could your retirement income increase?

To show the effect revealing even basic health and lifestyle details, here we illustrate 2 examples, Mr A and Mr B.

Mr A is single, 5'9", weighs 14st 9lb and has a weekly alcohol consumption of 18 units

Mr B is divorced, 6'2", weighs 10st 0b and has a weekly alcohol consumption of 14 units

Just providing a few basic details means both Mr A and Mr B qualify for a significantly higher annual income.

The annual income for Mr Average is £5118, with the details provided by Mr A he would receive an annual income of £5276 (a difference of £158 extra every year)

Mr B would receive an annual income of £5859 (a difference of £754 extra per year).

These above illustrations are based on a 65 year old with a £100,000 pension pot, single life level annuity, paid monthly. The actual income you receive will depend on your circumstances.

Always enter all your health and lifestyle details

It's important to confirm all your health and lifestyle details when buying an annuity; all kinds of factors can make a significant difference.

It is very interesting that there doesn't seem to be much of a difference between the details provided by Mr A and Mr B but the incomes they qualify for are very different. Most surprisingly, Mr B's weight is less than Mr A's and consumes less alcohol than Mr A, therefore, in this example, would receive nearly £600 a year more than Mr A.

Another area where you can gain income is by including your partner's details if you would like them to receive your annuity income when you die, their details could further increase the income you're offered.

Another way to increase your annuity income

Whether or not you declare your lifestyle factors you could still get a better deal on your retirement income simply by shopping around.

Once an annuity is in place it cannot usually be changed or cancelled. It is important to consider all your options beforehand very carefully, including whether you want an income to continue to a spouse or partner, or how income might be affected by inflation in future. Annuity rates change regularly and may go up or down in the future. Quotes are guaranteed for a limited time only. You should check you do not have any guaranteed annuity rates or other guarantees with your current provider before applying.

Help is available

What you choose to do with your pension is a very important decision. Therefore, we strongly recommend you understand your options and check your chosen option is suitable for your circumstances: take appropriate professional financial advice or guidance if you are at all unsure.

The government's Pension Wise service can help. Pension Wise provides free impartial guidance on your retirement options face-to-face, online or over the phone.

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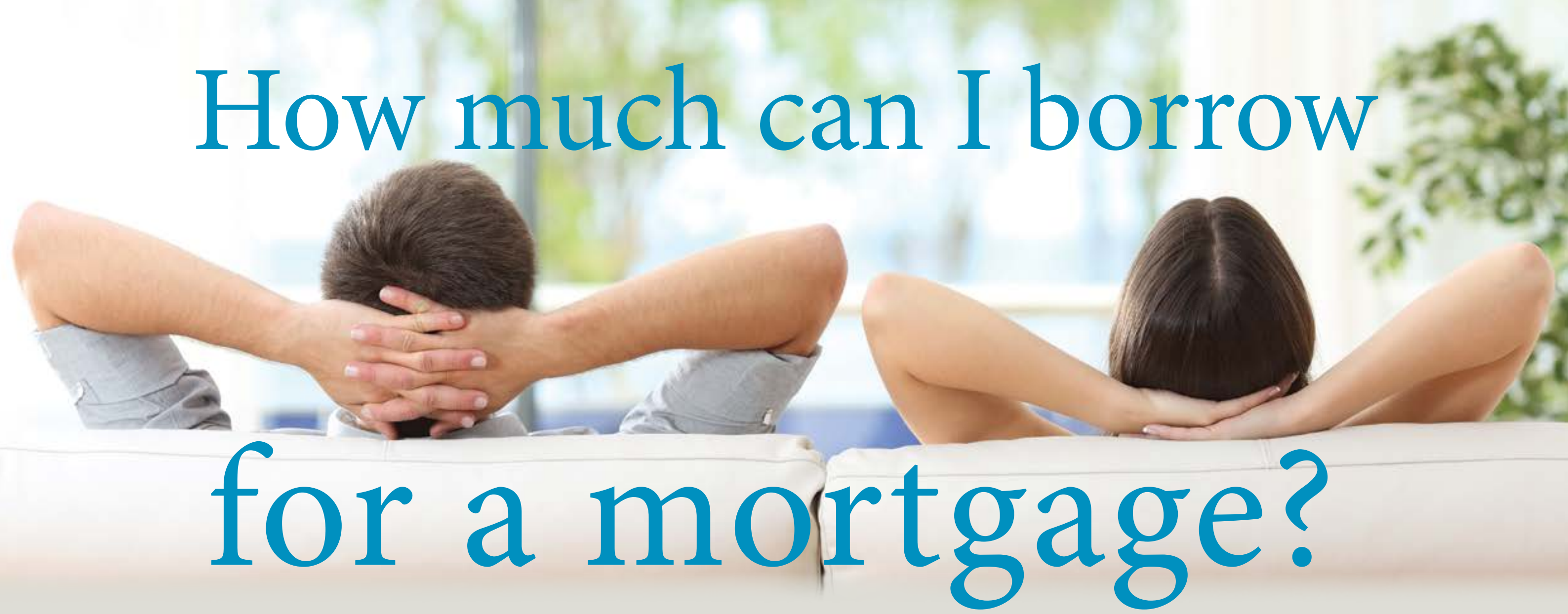

How much can I borrow for a mortgage?

We can all get carried away when looking for our dream home sometimes, but if you want that house search to be realistic, you need to know how much you can borrow in order to fund your purchase. This applies whether you're a first-time buyer, home-mover or second-homeowner. Once you've got an idea of the mortgage you'll be allowed, you can tailor your search accordingly, so just how much can you borrow?

Well, this will depend on four key things, namely your credit score, your income, your outgoings, and the amount of mortgage you want in relation to the property's value (known as the loan-to-value, or LTV). But really, you should be asking "*how much of a mortgage can I afford?*", which is perhaps a more pressing question for your future finances.

How much can I afford?

Mortgage affordability is the buzzword of the mortgage market, and with good reason, you need to be able to comfortably afford your mortgage repayments, not just when you first take out the loan, but also should your finances be impacted by unforeseen events in the future (such as an interest rate rise or job loss).

Thanks to tighter lending rules, providers are obliged to carefully check the affordability profiles of all applicants, but you'll want to take a close look at your budget for your own peace of mind as well. A lot of this will depend on your income and outgoings, you can use a mortgage calculator to see what your potential repayments could be, and go from there to see if you need to make any changes to your lifestyle and/or house aspirations.

Points to consider

- **Credit score:** Your credit score will have a huge impact, not only on how much you can borrow, but whether or not you'll be accepted for a mortgage in the first place. A poor credit score means it'll be hard to find a lender that will accept your application, and even if they do, they may use a lower income multiple to determine how much you can borrow. Consult a credit check provider before you even start thinking about applying for a mortgage, and if your score needs improving, start taking action.
- **Your income:** Your income has a huge impact on how much you can borrow – lenders will apply an income multiple to determine how much they'll lend, typically in the region of 4x your annual income. This means that if you earn £30,000 a year, they may lend you £120,000 for a mortgage (if you're applying as a joint applicant, the income multiple rules may be slightly different; as with anything, criteria change depending on the lender).
- **Your outgoings:** Again, this is all to do with affordability – your lender will need to see proof of all your income and outgoings, covering everything from credit card repayments to council tax, insurance payments and utility bills, and will use that information to determine how much extra you can take on in the form of mortgage repayments. They can then adjust their mortgage offering accordingly.
- **Loan-to-value (LTV):** LTV refers to how much the mortgage is in relation to the value of the property, so if you've got a £50,000 deposit on a £200,000 mortgage, you'd need a mortgage of £150,000, 75% of the value of the property, or 75% LTV. Lenders will specify a maximum LTV for each of their mortgage products, but whether or not you'll be able to borrow this amount will depend on the above point.

There's no easy answer to the question of how much you can borrow for a mortgage, it all comes down to your individual circumstances, but you can get an idea of things (and boost your chances of being able to borrow more) by laying the groundwork.

Start by focusing on your credit score and taking a close look at your budget to make sure you can afford an extra outgoing, and be prepared to put the time in to make changes to either if necessary. Save as much as you can for a deposit, too, and check out the best mortgages available so you have some idea of what to expect.

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

For more information on any subject that we have covered in this issue, or on any other subjects, please tick the appropriate box or boxes, include your personal details and return this section to us.

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