UNITEMONEYTALK

The personal finance newsletter for members of Unite published by Lighthouse Financial Advice

SUMMER 2016

Financial peace of mind – make it happen!

As Unite's preferred partner for personal financial advice, our job is to help you secure your financial future, whatever your stage in life and financial situation.

Dealing with financial issues can be daunting. Do you know how you would pay your bills if you fell ill? Or if you could save thousands of pounds on your mortgage? Or if your pension will give you enough income when you retire? Or your options for accessing any additional pensions? Or how you could help your family financially?

Financial advice for public sector workers

Unite appointed us on account of our specialist knowledge of, and expertise in, the local government and other defined benefit pension schemes and financial issues affecting members. We provide practical, affordable, professional financial advice tailored to your individual needs.

Complimentary financial check-up

We are offering all Unite members a no obligation, complimentary consultation with one of our professional advisers. They can meet you at home, at work, or elsewhere. They will explain how you could benefit from advice and how much it will cost. You can then decide whether to go ahead. We have over 150 advisers all over the UK, so there's bound to be one near you.

Your adviser can explain how you may be able to:

- protect your family's income, so they have enough money if the worst happens
- build up a nest-egg tax-efficiently, for yourself or for your children or grandchildren
- boost your pension provision, so you will be able to enjoy a comfortable retirement
- take your pension tax-efficiently and get the income you need
- pay for long-term care
- pass on your wealth tax-efficiently.

Book your complimentary appointment

Call 08000 85 85 90 or email appointments@lighthousefa.co.uk to arrange a complimentary, no obligation, appointment with one of our professional financial advisers.

Also in this issue

Seminars in the workplace on topical personal finance issues

We organise seminars in the workplace on a wide range of financial planning topics. The seminars, which are free of charge, have a relaxed, informal atmosphere. Topics can include the consequences of changes to the local government and other defined benefit pension schemes, the financial impact of being made redundant, or other relevant issues.

Alternatively, we can run a surgery, where members book 30-minute, individual, confidential consultations with one of our experienced financial advisers. To discuss holding a seminar or surgery in your workplace please contact one of our regional representatives:

London, the Home Counties, the South West & South Wales:
Helen Andrews
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Is your job at risk? Act now to secure your finances

What action can you take to secure your financial future if your job is at risk, or you are considering accepting a voluntary severance?

In the Spending Review published in November 2015 the Office for Budget Responsibility suggested that as many as 100,000 more public sector jobs could be axed between now and 2020. In such uncertain times it makes sense to be prepared, even if you are not sure whether or not your job is at risk. Here are some of the things you should consider:

Work out how much you spend a month

Remember to include your mortgage repayments, insurance, council tax and other bills. Make sure you include any direct debits and standing orders. What is the shortfall between your total expenditure and any income you may receive when you are out of work? Can you reduce your outgoings?

Do you have mortgage payment protection?

If so can you claim on it? Should you ask to reduce your monthly repayments or ask for a repayment holiday? You should tell your mortgage lender about your situation, as they are likely to be more flexible if you do need to reduce your repayments.

Could you take out short-term income protection insurance?

This pays a proportion of your income for a fixed period of time if you lose your job. However, it does not normally pay out if you take voluntary redundancy or if you knew you were at risk of redundancy when you applied for the insurance.

Do you have any other loans or debts?

Check your credit card bills and the rate of interest you pay on outstanding balances. What can you do to reduce them or pay them off?

Will you receive a lump sum payment as part of your severance package?

If so, how can you make the most of it? What should your priorities be? Should you invest part or all of the lump sum? Or use it to pay off debts?

Will you be able to claim benefits?

Any savings, including your lump sum payment, could affect how much you receive.

Is early retirement an option?

This might be an attractive option. However, taking early retirement generally means accepting a lower pension, so you need to make sure that you will have enough retirement income to live on comfortably, now and in the future.

Have you lost valuable benefits such as life assurance or private medical cover?

If you have, you may want to consider replacing them. You will need to weigh up the benefits of having this cover against the cost.

Review your savings and investments

You should review any savings and investments you already have to see whether they could produce much-needed income or simply to make sure they are invested in line with your needs and attitude to risk.

How can you generate more income?

How easy will it be to find another job? What other type of work could you do? Is your employer offering advice on getting a new job? Could you rent out a room in your home? Any rental income could be tax-free.

What about your pension arrangements?

Contributions from your employer will cease and you will probably want to stop any additional contributions you usually make, at least until you get another job.

Time to secure your financial future?

To find out what you should consider doing to secure your and your family's financial future call us now on

08000 85 85 90 or email appointments@lighthousefa.co.uk

and book an appointment with one of our professional financial advisers.

Meet LISA

- **LISA stands for the new Lifetime ISA.**
- **They will be available from April 2017.**
- **They are being created to help people buy their first home and to save for retirement.**
- **UK residents aged between 18 and 40 will be able to open one and pay in to it until they turn 50.**
- **They will be able to pay in up to £4,000 a year (tax year 2017/18), and the government will top up their contributions by 25%.**
- **Whether a LISA is more suitable than a traditional pension or ISA will depend on your circumstance. We will be covering LISAs in more detail in the spring 2017 issue.**

Tax-free savings for everyone!

While the super-rich may move money offshore to try to save tax, you don't have to. The government actively encourages us to take advantage of legitimate tax-efficient savings accounts to build long-term savings.

Tax-exempt savings plans are affordable, long-term regular savings plans for adults and children that offer tax-free savings.

1. Payments don't cost the earth
They are an affordable way to save for the future – you can save from as little as £10 a month, up to a maximum of £25 a month.

2. Your choice of savings term
You can choose how long you want to save for, with the minimum commitment being 10 years. It's even possible to select the exact date that you receive your tax-free sum – for example, if you're saving for a specific birthday or an anniversary.

3. High street banks can't offer these plans
Only friendly societies can give you the additional tax advantages of tax-exempt savings plans, which provide you or your child with a cash sum payout at the end of your chosen term, free of capital gains tax and income tax. A tax-exempt savings plan can be held alongside an ISA, Junior ISA, Child Trust Fund or other children's savings plans.

4. You won't lose any money
With tax-exempt savings plans your cash lump sum payment is guaranteed to be at least what you've paid in, which means there's less risk taken with your money – provided you continue to keep putting the agreed amount aside each month. There is also the possibility of bonuses being added to your plan to increase its value. However, the addition of bonuses is not guaranteed.

Tax-exempt savings plans are longer term saving plans, so if you are unable to continue saving for the full duration of the plan, the amount you get back will be affected and in the early years could be very little, if anything.

Find out more

If you would like to find out about tax-exempt savings plans **and other tax-efficient accounts call us now on 08000 85 85 90 or email appointments@lighthousefa.co.uk and book an appointment with one of our professional financial advisers.**

Other tax-efficient ways of saving

ISAs
You don't pay income tax on any income you get from an ISA or any capital gains tax on any growth. Think of ISAs as your very own tax haven. The annual ISA allowance is a generous £15,240 (tax year 16/17), that's £30,480 for a couple. Junior ISAs are available for the under 16s – the maximum you can pay in is £4,080 a year (tax year 16/17).

Lifetime ISAs (LISAs) will be available from April 2017 to help young people save for their first property or for retirement. See article on page 2.

Pension contributions
Contributing to a pension is one of the most tax-efficient ways of saving, as you receive tax relief on your contributions at the highest rate of income tax you pay. You may need to claim some of this yourself if you are a higher rate taxpayer.

NS&I
National Savings and Investments (NS&I) offer 100% secure tax-free children's bonds and ISAs. They also operate Premium Bonds – prizes are tax-free.

Low earners can now pay less tax

The introduction of the personal savings allowance means that most people with an income from earnings and interest of less than £17,000 don't have to pay any tax on the interest paid on their savings. To find out more call 08000 85 85 90 or email appointments@lighthousefa.co.uk and book an appointment with one of our professional financial advisers.

Tempted to cash in additional pension pots?

There is nothing to stop you taking all the money out of your defined contribution pension pot and spending it as you wish. For many people this would be a foolish decision, but for some could be a sensible one.

If you are aged 55 or over with a defined contribution (money purchase) pension (ie one that is not based either on your final salary or career average earnings, commonly known as a defined benefit scheme) you can cash in all or some of your pension pot at any time – assuming your pension provider or scheme permits you to do so. Cashing in your pension is a big step and not a decision to be taken lightly.

Do you have other pension income?

However, it is something you could consider if you have other pension income, for instance from defined benefit (such as career-average or final salary) schemes, including the local government pension scheme, that will provide you with the income you need. Cashing in your pension allows you to use your pension savings in a variety of ways. You could choose to pay off debt, such as your mortgage or credit cards, buy a new car, pay for a holiday or perhaps use the money to buy assets that aren't available via your current pension.

It is very important to understand and take into account the income tax you will have to pay on these withdrawals. The first 25% is payable tax-free. However, you need to realise that it is easy to trigger income tax of 40% or even higher on such withdrawals given the current tax threshold limits.

Expert advice

It is not advisable to cash in your pension without taking professional financial advice. Why not book an appointment now with one of our professional financial advisers? Call

08000 85 85 90 or email appointments@lighthousefa.co.uk.

Accessing additional pensions: your options at a glance

- **All in cash; 25% tax free, 75% taxable (full cash withdrawal).**
- **Gradual withdrawal of funds; partly tax-free, partly taxable (flexi-access drawdown) or uncrystallised funds pension lump sum (UFPLS).**
- **Buying an annuity.**

The value of your investments can go down as well as up, so you could get back less than you invested. A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

Why John, aged 64, decides to cash in his additional pension pot

John, a widower aged 64, is ready to start enjoying life again. He has just agreed to retire early at the end of May 2016 and is fortunate to have built up a reasonable amount in his employer's defined benefits pension scheme. He also has a small private pension currently worth £30,000.

His main concern is to have enough money to live comfortably for what will hopefully be a long retirement. Unsure of his options and the tax implications of his decision, he decides to consult a financial adviser specialising in pensions.

The adviser asks John about his lifestyle and how he envisages his retirement. He also asks him for full details of all aspects of his finances – including how much he spends, his savings and his borrowings, such as his mortgage.

Having gained a full picture of John's financial circumstances, the adviser recommends he take advantage of pension freedom by cashing in his private pension. He will receive 25% (£7,500) tax-free and pay income tax at 20% on the balance of £22,500, as he will have no other income in tax year 2016/17.

This will give him a total income of £25,500, which John and his adviser have agreed is enough for him to live on comfortably until he starts to receive his defined benefit pension and state pension ion 1 May 2017 when he will reach the age of 65.