

# Financial Viewpoint

Heavenly Finances

Personal & Corporate Financial Advice



## **The value of our advice**

How we help people to set and realise their financial goals.

## **Investment advice - that's a relief!**

A handy guide to tax allowances and reliefs.

## **The business of protection**

Protecting your business at every stage.

## **Plugging the protection 'gap'**

Becoming your own boss could leave you exposed.

## **High inflation hits workers and savers**

Reduced spending power calls for a new investment strategy.

## **Peace of mind for the cost of a coffee**

Protect what really matters for less than a latte.

## **Don't crowdfund the cost of your healthcare**

A critical illness plan could help you avoid financial hardship when you need it most.



# The value of our advice

Good financial advice and planning helps people to protect and build their assets, make the most of their investments and help to achieve the goals and lifestyle they desire.



*For more information about any of our services, please get in touch.*

## Establishing priorities

Every client we meet has a unique and varied range of financial planning needs, so it's important to establish priorities right from the start if we are to create a meaningful and relevant plan.

As time passes, your financial plan will need to evolve, and regulatory changes can impact the effectiveness of any structures already in place. That's why we recommend a regular review to ensure that your plans remain on track and relevant.

## The importance of ongoing advice and service

If you choose to receive ongoing advice and service from us, we'll invite you to regular meetings where we will monitor the progress of your plans and discuss any adjustments required in the light of changing circumstances.

We believe that ongoing service can help you continue to make well-informed choices and give you the best chance of achieving your goals through key life stages.



## Five promises we make to our clients



1. We will help you arrange your finances so that they work as effectively as possible towards funding your life goals.



2. We will help you take steps to ensure your income, assets and family are protected from the impact of long-term illness, disablement or death.



3. We will advise you on how your investments can benefit from relevant tax reliefs and allowances. We will also advise you on the most effective way of withdrawing income or capital from your arrangements when the need arises, or how best to pass wealth to your intended beneficiaries.



4. We will help you keep your plans in focus by regularly meeting with you to review and refresh arrangements. This might be a result of changing personal circumstances, legislation, new opportunities and any other factors relevant to your situation.



5. We will be accessible and responsive whenever you wish to contact us with queries or requests.

# Investment advice – what a relief!

Every client we meet has a unique and varied range of financial planning needs, so it's important to establish priorities as the first step towards creating a meaningful and relevant financial plan.

When it comes to investment planning, one such priority is making sure you're in a position to maximise the tax reliefs and allowances that are available. Here's a useful summary:



To find out more about how we can plan a tax efficient investment strategy please get in touch.



Pay no tax on the first **£5,000** of dividend income from your investments (This allowance reduces to £2,000 in the 2018/19 tax year)



**Review** your potential Inheritance Tax liability with the introduction of the Residence Nil Rate Band



**Consider** whether you could take advantage of the tax efficiencies available from investing in an Enterprise Investment Scheme or Venture Capital Trust. Please note these are specialist investment options that carry higher risk and not suitable for all investors



Earn up to **£1,000** interest on your personal savings tax free, higher rate taxpayers will be able to earn up to £500



Invest up to £3,600 or 100% of UK relevant earnings, whichever is the greater, up to a maximum of **£40,000** in your pension every tax year and receive tax relief on those contributions



Make the most of your ISA allowance every year and invest up to **£20,000** (in 2017/18)



Make the most of your **£11,300** Capital Gains Tax CGT allowance when selling an asset or investment that has increased in value. Transfer between spouses is currently exempt from CGT. By gifting assets to your spouse or Civil Partner you effectively double your allowance

*This information is based on our current understanding of the rules for the 2017-18 tax year.*

*HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.*

*The value of investments and any income from them can go down as well as up and you may not get back the original amount invested.*

# The business of protection

Every business has a lifecycle; from its early development through to start-up, expansion and, hopefully, maturity and exit. At any stage, though, it's important to consider how key assets or loans are protected in the event that something risks the ability to continue trading.



*Whether you're just starting up, or looking to expand your business, we can advise on a range of business protection options that might be suitable. Please get in touch.*

## Key person protection

Perhaps the greatest asset of a business is its people. Despite this, Legal & General's latest 'State of the Nation's Small and Medium Enterprises' research found that more than half of the UK's small businesses think they would cease trading in less than a year if a key employee died or became unable to work. This stark figure highlights the importance of protecting the people responsible for the continuing success or growth of the business.

If your business relies on certain employees, it's important to arrange protection against the financial loss caused by their death or serious illness.

An insurance policy often referred to as Key Person Insurance can be taken out on the life or health of such an employee. This may be appropriate where that individual's knowledge, work, or overall contribution is considered uniquely valuable to the company. It can cover the costs or losses that may be caused by the loss of that person.

## Business loan protection

After the initial whirlwind of setting up a business passes and thoughts turn to growth, the business owners might choose to borrow money to fund its expansion. In fact, the research from Legal and General shows two thirds of businesses have some form of borrowing.

The most common type of borrowing taken out over £50,000 is for business loans, overdrafts and Directors Loan accounts.

Most types of business loans can be protected with a policy that provides a lump sum to cover loans and other credit facilities if a business owner dies, or in some cases becomes seriously ill (if critical illness cover is included).

## Share protection

Once a business is more established, a share protection policy might be appropriate because it can help cover the value of an owner's share of a business. If an owner dies or is diagnosed with a critical illness, share protection written in trust can provide the other business owners with enough cash to buy out the shares and continue to run the business.



# Plugging the protection gap

If you're one of the increasing number of people who've become self-employed in recent years, you may have found the switch has left you without the employee benefits you previously took for granted.



Making the change from employed to self-employed is a big step and it's one more people are taking. The number of self-employed people in the UK now stands at 4.80 million, representing 15% of the working population.

But while some may find they can earn more as a result, they might overlook the importance of replacing lost employee benefits like income protection and life insurance.

## Death in Service

Many employed people automatically benefit from life insurance arranged on their behalf by their employer. This would pay a multiple of their annual salary were they to die while still employed, which could then be used to pay off a mortgage or maintain their family's lifestyle.

Some employees receive a proportion of their salary for a period of time if they become unable to work due to illness or injury (over and above statutory sick pay levels) and may benefit from access to private medical treatment.

Clearly, moving from employment to self-employment would mean these benefits cease, and potentially leave a protection 'gap'.

## Mind the gap

Fortunately, the benefits you may have received automatically as an employee are also available to you as a self-employed individual - and they may be more affordable than you think.

*Income protection insurance* will pay you a monthly income if you become unable to work through illness or injury. Self-employed workers should consider this an essential piece of protection because it can help prevent your family suffering financial hardship and allow you space to recover more quickly without the burden of financial worry. Many insurance companies also provide support for customers to help them return to fitness as quickly as possible.

*Life and critical illness plans* can be individual plans or combined. Life insurance will pay out a lump sum or a regular income to your dependants if you were to die during the term of the cover. Critical illness plans pay out a lump sum if you are diagnosed with a specific illness. Both can help secure your family's financial future.

*Private medical insurance (PMI)* may be considered less of a priority than either income protection or life insurance, given the treatment you are entitled to via the NHS. For those seeking to replicate all the benefits they may have enjoyed when employed, there are a range of policies available at varying price levels. If you are interested in PMI we can introduce you to our PMI referral partner.



## Are you covered?

*If you're self-employed, it's easy to make sure your employment status doesn't put your long-term financial security - and that of your family - at risk. Get in touch to discuss your protection options.*

# High inflation hits workers and savers

Employment is at a record high, but UK workers are starting to feel the squeeze as wages fall below inflation for the first time since 2014.



*If you'd like to discuss how you can make your money work harder, please get in touch.*



Inflation has gone up, in part, due to the Brexit-related fall in the value of sterling, but the fall in wage growth is unusual as it occurs at a time when employment is at a high. When prices rise faster than wages, it reduces spending power and puts pressure on household finances.

## Keeping up with inflation

If you earned £539 per week (the 2016 median gross weekly earnings for full-time employees) your pay next year would need to increase by another £10 each week to keep up with an inflation rate of 2.6% (which it was in August 2017). Unfortunately, the current average pay growth of just 1.8% means your earnings will actually be worth £4 less each week.

As well as your wage-packet, rising inflation could also erode the value of any savings you have on deposit, leading some to consider a riskier investment where there is potential for your money to work harder. If you find yourself in this situation, we can help.

## Designing your investment strategy

After establishing and agreeing your attitude to risk, we will work with you to create an appropriate investment strategy - one that aims to maximise returns while maintaining the right level of risk for you.

As well as recommending the most appropriate product or tax 'wrapper' (a specific type of tax efficient investment) from the range available to us, we will also recommend the most appropriate fund or portfolio of funds.

Our recommendation will also take into account a number of other factors, including:

- Your objectives for the investment
- Your personal circumstances
- The timeframe over which you intend to hold the investment or pension
- The amount of money you have available to invest
- Other investments that you already have

With so many investment options available and the effects of inflation erosion posing an immediate risk to your savings, the hardest part can be deciding which route to take.

We'll follow a clear and thorough process to clarify exactly what you need from your investments and how much risk you're prepared to take. Our approach will help you get a solution that matches your needs – today and in the future.

*Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up. You may not get back the amounts originally invested.*



# Peace of mind for the cost of a coffee

Many of us pick up a morning coffee on the way to work - it's a little bit of luxury to start the day for just a couple of pounds. But did you know you could provide something even more satisfying for you and your loved ones for less than the cost of that coffee?



*If you'd like more information on what sort of protection insurance would suit your circumstances, please get in touch.*

## Peace of mind

Protection insurance (or, more specifically, life insurance, critical illness cover and income protection) should be considered essential - especially if you have a mortgage, or people who depend on your income.

A life insurance policy can provide much-needed funds if you're no longer able to work through illness, injury, or worse. There are even some policies that will also cover you for unemployment. Cover provides peace of mind because you know you and your family will be financially supported if the unexpected happens - and cover might be cheaper than you think.

## When it comes to a claim...

If you've declined the offer of protection insurance in the past because you don't believe your insurer would pay out, think again. According to the Association of British Insurers (ABI), 97.3% of all protection insurance claims paid out in 2016, totalling £4.7bn. That's around £13m a day paid to households hit by the emotional and financial distress and disruption that an unexpected accident, serious illness or death can cause.

## Things change - and so should your cover

Even if you already have one or more of these types of plans in place, it's still important to regularly review your cover levels. Personal circumstances can change and you should make sure your level of cover remains appropriate.

## Choose security

Next time you're in the queue wondering whether to go for a flat white or hazelnut mocha, why not consider a third option and choose long-term financial security for you and your loved ones. The satisfaction it can provide you is far greater than that from a coffee.

Based on latest data, a 35 year-old non-smoker looking for £250,000 decreasing life assurance and critical illness to cover a 25-year repayment mortgage, could pay a premium of £58.54 per month, equivalent to £1.88 per day based on a 31 day month.

*Figures correct as at 7/8/2017*



# Why crowdfund the cost of your healthcare?

Crowdfunding is becoming increasingly common among people who need healthcare that's not freely available through the NHS.



*To discuss critical illness protection for you and your family, please get in touch.*

Websites such as [justgiving.com](http://justgiving.com), [crowdfunder.co.uk](http://crowdfunder.co.uk) and [gofundme.com](http://gofundme.com) are full of campaigns from families trying to raise funds for treatments, or seeking help to avoid the financial hardships that a serious illness such as cancer or stroke can cause.

Even though the vast majority of proven effective treatments for cancer are funded by the NHS, 2,348 crowdfunding campaigns to cover medical treatment were launched on JustGiving in 2016, a seven-fold increase from the year before when there were just 304.

One fundraising charity, Tree of Hope, specialises in helping these young people and their families by running campaigns to raise the funds they need to pay for specialist care.

## Supporting young people

Although cancer in young people is rare, it is still the most common cause of death for children aged up to 15. Sadly, 1 child in every 500 under 15 is diagnosed with a form of cancer and 2,200 teenagers and young adults (15-24 years old) are diagnosed every year.

## Don't rely on crowdfunding

Instead of crowdfunding at a time when you should be concentrating on treatment and recovery, taking out a critical illness plan will help protect a breadwinner from the financial impact that the diagnosis of a serious illness could have on their life or their family's life.

Many critical illness policies also include cover for children (including step and legally adopted) as an automatic benefit. This can pay out a lump sum if a child is diagnosed with a specified critical illness or is hospitalised.

Heavenly Finances Ltd 01942 686970  
 Ashberry House enquiries@heavenlyfinances.co.uk  
 41 New Hall Lane www.heavenlyfinances.co.uk  
 Heaton  
 Bolton  
 BL1 5LW

**Heavenly Finances**  
 Personal & Corporate Financial Advice