

# Financial Viewpoint



## **Mortgage savvy millennials**

Do younger borrowers make sound decisions when it comes to their mortgage?

## **Cash ISAs**

Are they still worth the investment?

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

Protect what really matters for less than a latte.

## **Lasting Power of Attorney**

Making sure people you trust can look after your affairs if you become mentally or physically unable to.

## **Funeral planning**

Preparing for the best send off.

## **Pension death benefits**

Who gets your pension savings if you die?

## **Take control of your investments**

The features and benefits of an online Platform.



## Average house prices



today  
£209,971

2000  
£81,628

1980  
£22,677



Whatever age you are, whether you're looking to buy for the first time, remortgage or move up the housing ladder, please get in touch to see how we can find the right mortgage for you.

## Mortgage-savvy millennials

When it comes to their mortgage, are younger people making better financial decisions than their older counterparts?

The term 'millennial generation' applies to people born somewhere between 1980 and 2000, a 20-year span which also saw a huge rise in property prices. At the start of 1980, the average house price was £22,677, but by the end of 2000 this had risen to £81,628. Today the figure stands at £209,971.

A recent study shows the dramatic rise in property prices means just one in five 25-year-olds can afford to buy a property, and the average age of a first-time buyer in the UK has been pushed up to 30. Despite the financial challenges, almost three quarters of UK millennials intend to buy their first home in the next five years.

### Repayment vs interest-only

The millennials who've bucked the trend and already made the first rung of the housing ladder obviously prefer the concept of reducing their loan month by month, with the vast majority (92%) of 18-34 year olds choosing a repayment mortgage, compared with 68% of those aged 55 and over.

### Fixed rate

Younger borrowers also seem to prefer to know what their mortgage repayments are going to be, with nearly 70% opting for a fixed-rate deal compared with 35% of their older counterparts. They also seem happy to shop around, with a quarter remortgaging to potentially reduce their monthly payments, whereas 82% of those aged 55 and over have stuck with the same mortgage.

Offset mortgages also appear to be more attractive to younger generations with one third of 18-34 year olds taking out an offset mortgage (where they will use their savings to either reduce the term or repayments on their mortgage) compared to just 11% of over 55s.

If there is a conclusion to be made from these statistics it could be that millennials are more savvy when it comes to their mortgage, but remember, interest rates have remained at record lows for nearly ten years; something that's very much in their favour

*Figures correct as at September 2017*

**Your home may be repossessed if you do not keep up repayments on your mortgage.**



# Are Cash ISAs worth the investment?

After the Bank of England (BoE) cut interest rates to reassure the market following the Brexit vote, cash ISA returns plummeted.



For advice on ISAs and other types of investment planning, please get in touch.

According to Telegraph Money cash ISA returns fell by as much as 35% in the six months after the BoE's decision. A quick google shows the best rates on offer currently are just over 1% for an easy access cash ISA (meaning you can withdraw your money at any time) and 1.4% if you're prepared to lock your savings away for three years.

## So are cash ISAs still worth the investment?

Before you decide, there are a couple of other factors to consider.

The weaker pound – a by-product of Brexit – is driving up inflation. According to The Office for National Statistics: inflation has been steadily increasing since 2015 and hit 2.3% in March 2017. The BoE has predicted it could reach 2.8% by the middle of 2018.

With interest rates at record lows, this is bad news for savers; inflation eats into the value of your savings, so unless you're earning a higher rate of return, you effectively lose money.

The Personal Savings Allowance (PSA) which was introduced in April 2016. It lets you earn up to £1,000 in interest tax-free on your savings if you're a basic rate taxpayer and £500 if you're an higher rate taxpayer (additional rate taxpayers don't receive a PSA). This cancels out some of the benefits offered by a cash ISA – earning tax-free interest on your savings – especially

since the annual limit is only £20,000 (in the 2017-18 tax year).

Of course, there may be cases when a cash ISA makes sense. If you switch to a higher tax bracket in the future, you might lose out on some or all of your PSA. And if you're already an additional rate taxpayer, then it's the only way you can earn interest on your savings tax-free. Another benefit that may not be available with other types of savings products is that your spouse or civil partner can inherit the money you hold in a cash ISA tax-free.

You need to decide whether or not a cash ISA is right for you based on your personal financial situation, but while interest rates remain low, it might be worth considering investing in a stocks and shares ISA instead. These bring with them an element of risk of course, but there's also the potential for greater return. Stocks and shares ISAs are considered medium to long-term investments and you should be prepared to invest for at least five years.

*The tax efficiency of ISAs is based on current rules. The current tax situation may not be maintained. The benefit of the tax treatment depends on the individual circumstances. The value of your stocks and shares ISA and any income from it may fall as well as rise. You may not get back the amount you 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*







# Lasting Power of Attorney

A will deals with matters in the event of your death, but what if you became unable to handle your affairs while still alive?



*If you would like any assistance in deciding whether an LPA would be suitable for you, or any help setting up an LPA, please get in touch.*

As you get older, a physical or mental illness could affect your ability to manage personal affairs. If the prospect of this worries you, you should consider setting up a Lasting Power of Attorney (LPA). This is a legal document which allows you to appoint one or more people to either help you make legal decisions, or make them entirely on your behalf.

Knowing that your financial affairs will be looked after by people you trust can give you valuable peace of mind.

## Types of cover

There are a number of different types of LPA available depending on the requirement:

1. Ordinary POA
2. Lasting POA
3. Enduring POA (replaced by LPAs on 1 October 2007, but still valid if you signed one before this date)

Ordinary Power of Attorney can be used while you still have the mental capacity to make your own decisions, but need temporary assistance. For example, if you are hospitalised or on holiday and you want to empower someone to make financial transactions on your behalf.

Lasting Power of Attorney is required if you want to give someone the legal authority to make decisions on your behalf in the event you lose mental capacity. There are two types of LPA:

1. Health and Welfare LPA - your appointed 'attorneys' will be able to act on your behalf if you become completely unable to make decisions regarding your own wellbeing. For example, if your circumstances mean you require full time care, or a particular

medical treatment they will step in and act in your interests.

2. Property and Financial Affairs LPA - your attorneys can make decisions concerning your bank accounts, paying bills or even selling your home if required. Unlike the Health and Welfare LPA, this version can be used as soon as it is registered, but only with your permission – ie. you are still fit to make other decisions on your affairs.

## Choosing your attorneys

When deciding who you would like as your attorneys, there are a few things to consider:

- How well do you know them?
- How well do they look after their own affairs?
- Do you trust them to make decisions that are best for you?
- Will they be comfortable making these decisions?

If you choose more than one attorney, you'll also need to decide whether they will make decisions separately or together.

When you set up your LPA you can nominate replacement attorneys in case your chosen attorneys become unable to carry out the role for whatever reason.

*Lasting Powers of Attorney are not part of the Openwork Limited offering and are offered in our own right. Openwork Limited accepts no responsibility for this aspect of our business.*

*Lasting Power of Attorney is not regulated by the Financial Conduct Authority.*

# Funeral Planning



Do you know how your family would cope after your death? It's not an easy question to answer, or a nice subject to think about, but you could help to make their lives easier by setting up a Whole of Life plan, getting your finances in order and making a detailed will.

## Whole of Life plans

A Whole of Life plan will provide your loved ones with a financial lump sum when you die; the size of the payment will depend on your policy. On some policies you'll pay monthly or annual premiums until your death, whereas others allow you to stop paying at a certain age - although this could impact the amount of money your loved ones will receive.

While the payout from a Whole of Life plan can help reduce or remove financial strain at a time of emotional stress, there are a number of other things you should consider putting in place to help your loved ones:

## Accounts, bills and policies

Make a list of your accounts, bills and policies to help those left behind understand your financial situation. This is important in case there are outstanding debts attracting interest that could be settled. Remember to include things like:

- Current / Savings Accounts
- Investments / Pensions
- Credit Cards / Loan agreements
- Mortgage
- Insurance Policies

## Review your will, or create a new one

A will allows you to choose what happens to your estate on your death, for instance, how your property, money and possessions will be distributed. If you die without a will the rules of intestacy will determine this for you and could leave your loved ones unintentionally left out.

Having a valid, up-to-date will is also important because it can set out your wishes for the guardianship and any future financial support of your children.

## Funeral preparations

It might sound morbid but you could also prepare your own funeral plans and discuss them with your loved ones to make sure you get 'the right send-off'. Whether you'd prefer a humanist cremation or a church ceremony and burial, it might help to discuss the options and plan in advance. If you'd prefer to avoid the subject altogether you might find it easier to include your funeral wishes in your will.

There are also options available to set aside money to cover the cost of your funeral. With this option you must check the terms of the policy as it might not provide you with any of the added extras you might expect.



*If you'd like more information on Whole of Life plans, wills, or estate planning in general, please get in touch.*

*The will writing service promoted here is not part of the Openwork offering and is offered in our own right. Openwork Limited accept no responsibility for this aspect of our business. Will writing is not regulated by the Financial Conduct Authority.*

# Pension death benefits

There's a range of options when it comes to deciding how to fund retirement, but few of us stop to think about what might happen to pension savings in the event of death.



*Please contact me if you'd like to discuss the rules and explore whether and how you and your loved ones could benefit from them.*

Alongside the more familiar changes to retirement choices that happened back in 2015, 'Pension Freedoms' heralded significant changes in how pension death benefits are taxed; bringing with them new inheritance-planning opportunities.

## Passing on wealth

Since April 2015 it has been possible for the plan holder to pass their pension on to any nominee(s) through something called Nominee Flexi-Access Drawdown. Further, when the nominee dies, a successor - or successors - can also inherit a drawdown pension through a Successor Flexi-Access Drawdown.

In turn, each nominee or successor can pass the assets on to other nominees or successors, retaining the tax efficiency of the plan through multiple generations.

The key benefit lies in retaining the assets within a pension wrapper: in this way they fall outside of the plan holder's estate for Inheritance Tax (IHT) purposes. As long as they remain within the wrapper they stay tax efficient in most cases until they're needed by the nominee or successor.

If the plan holder - or a nominee or a successor - dies before the age of 75, not only are the assets passed on free of IHT, but the drawdowns are paid out free of income tax. If they die after the age of 75, the assets are still excluded from the estate for IHT purposes, but any lump sums or income drawdowns are treated as income and are subject to the beneficiaries' own marginal rate of tax (ie. taking into account other sources of income).

## How might your dependents benefit?

The example given below is a simplified illustration and only a guide to what might be achieved with careful financial planning.

However, it's important to note that most of the existing pension plans were set up before the new regulations came into force and may not have the flexibility to establish Nominee or Successor Flexi-Access Drawdown accounts.

Instead, the pension provider will pay out the full value of the fund in cash on the death of the plan holder. In that situation, the assets count towards the total estate for IHT purposes.

*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 pension family tree

*A family comprises a husband and wife, their two children who in turn have two children each (four grandchildren in total).*

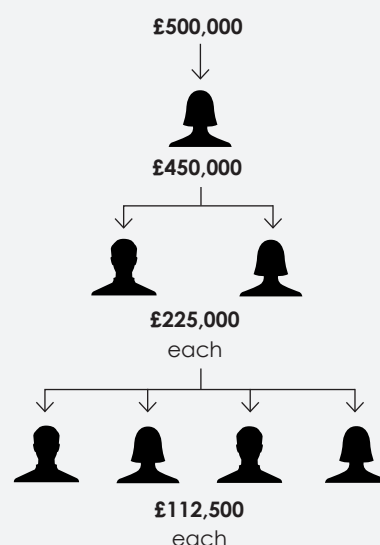
The husband dies aged 76 with £500,000 remaining in his pension fund.

The wife inherits a Nominee Flexi-Access Drawdown plan. As her husband died after reaching the age of 75, any withdrawals are taxable as income. The wife dies aged 74 and with £450,000 remaining in the plan.

The two children each inherit half of this (£225,000) through Successor Flexi-Access Drawdown.

Withdrawals are tax free as the mother died before age 75. However, both children die in their 60s without accessing their plans. As they also died before reaching 75, each residual pension fund passes tax free to the grandchildren.

Each grandchild inherits a Successor Flexi-Access Drawdown pot of £112,500 and enjoys tax-free withdrawals.





# Take control of your investments

Getting a clear, concise view of your investment portfolio can be difficult and time-consuming. That's why we use a secure, online system known as a Platform.

A Platform gives you secure, online access to your investment funds with a transparent, easy-to-understand charging structure. So rather than holding your ISAs, pensions and other investments in different places, you can view everything at a single glance.

Think of it as an online bank account for your investments which we can administer on your behalf.

## A clear picture

As well as cutting down on paperwork, using a Platform can speed up transactions and give you the flexibility to take advantage of annual tax allowances. And because your assets are held on one online source, you (and we) can access consolidated reports at the touch of a button.

Whether you need a stocks and shares ISA for tax efficient savings, a simple way of investing your money or a pension to help fund your retirement, we can offer it all in one place with a single solution, giving you secure online access to keep an eye on your investments 24/7.

With us by your side, we'll help make your money work harder for you, giving you a sense of direction and control over your future.

## The benefits of a Platform:

### Choice

A Platform provides easy access to a wide range of investment funds, allowing us to tailor your portfolio to better reflect your current circumstances, financial position and attitude to risk.

### Flexibility

As well as allowing you to view your investments in one place, the flexibility of the Platform means you can record other assets such as the value of your property or any antiques you may have.

### Ease of use

The Platform is uncomplicated and user-friendly. It takes the effort out of managing your finances (and completing your tax return) because you can access consolidated reports at the touch of a button.

### Transparent charging

The Platform helps you clearly see the costs involved with any investment decision you make.

### Control

The Platform gives greater control when it comes to making key investment decisions.

**Your Platform access may depend on the ongoing servicing level you have agreed with us.**

*Past performance is not a guide to future performance. The value of an investment and any income from it can fall as well as rise as a result of market and currency fluctuations. You may not get back the amount you originally invested.*

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