# ASPIRE

PLAN • DREAM • ACHIEVE

FOURTH QUARTER, 2017

## Stay Smiling

**Family gathering –** protect yourself and your loved ones through life

**Hold on to your hats! –** and stay strong against the storm

**Perfect timing –** age-related tips for your financial future

**A head start –** saving for your children's education

The magazine of Willson Grange Limited

"*Aspire* isn't just about money. It's about family. It's about life."

*Stuart and Rosemalin Willson, and the team at Willson Grange Limited, wish you all…*

## …A Happy Christmas and a Safe, Secure and Prosperous New Year!

# Stay Smiling

HELLO, and a warm seasonal welcome to you from all at Willson Grange and *Aspire*. As usual, instead of posting out individual greetings cards this Christmas, we will be giving a donation to the fantastic charities supported through the St. James's Place Charitable Foundation – of which you can find out more on page 18 of this issue.

Having said that, we have pleasure in posting a festive version of our quarterly magazine, intended to keep you connected and up to date with the latest happenings in the financial world. This Fourth Quarter edition is very much themed around 'age' – from the very young to the very old, not forgetting everyone in between! Our choice of theme comes on the back of the recent, and very comprehensive *Financial Lives Survey* brought out by the Financial Conduct Authority for 2017. The survey revealed some pretty blunt information regarding financial issues that we, as adults, face at various stages of our lives.

Broken into six different age groups, *Financial Lives* details the way people from each age group are currently engaging with financial products and services (eg pensions, loans, overdrafts, etc.) with the aim of identifying any weaknesses and potential vulnerabilities in their future lives.

Some of the most worrying findings were that one in eight adults (6.5 million) has no cash savings whatsoever, and a quarter have savings of less than £1,000. But from our perspective as financial planners, the most relevant data was that concerning retirement and attitudes towards pensions. Only 35% of the 45-54 age group have given a great deal of thought to how they'll manage in retirement. A quarter of 55-64-year-olds don't know how much they have in their pension pot. And – perhaps worst of all – half of the respondents in the 55-64 age group said they only expected to live to age 80 or less… This could leave them in serious danger of under-predicting their longevity and therefore not saving enough to see them through.

Don't let that be you. Turn to our *Finance in focus* article on page 4 and *It's all in the timing* on page 6, where we guide you through the necessary areas to help you take control during each decade of your life.

On a much lighter note, we have a host of seasonal lifestyle articles to keep you in good cheer, and smiling throughout the festive season. So please, have a very merry Christmas and we'll see you again in 2018… when we will have some exciting news to share!

**Stuart Willson, CEO, Willson Grange Limited**
**Newsflash! Willson Grange Limited has a new website.**
**Please visit us at: www.wgcfp.co.uk**

# Contents

# Hold on to your HATS!

Storms have been back in the headlines, but not just of the weather variety. Potential crises in personal finance and "pensions poverty" were front page news in October, as the Financial Conduct Authority (FCA) published its *Financial Lives Survey* for 2017.

In the last issue of *Aspire*, we reported a critical forecast by the World Economic Forum (WEF) – that the spiralling costs of providing security to people in retirement will affect the incomes of future generations to a perilous degree. In its report *"We'll live to 100: How can we afford it?"* published in May, the WEF viewed the anticipated pressure on pension systems from ageing populations around the world as "the financial equivalent of climate change".

As well as inevitable rises in the State Pension age, which will be needed to sustainably support future retirees, the WEF warned that workers would need to save between 10% and 15% of their annual earnings in order to achieve a reasonable level of income in retirement.

Now, to consolidate that thinking, a new report has provided considerable evidence that UK consumers are not engaging (ie not reviewing their pension investments or their worth). Many lack real understanding or knowledge of their pension arrangements and don't know important details such as whether their pension is a defined contribution (DC) or defined benefit (DB) pension.

*The Financial Lives Survey 2017* (the FCA's largest tracking survey of consumers and their use of financial services) draws on responses from just under 13,000 UK consumers aged 18 and over. By collecting information about the financial products consumers use and their attitudes to managing their money, the survey tells the financial story for six different age groups to show key themes at each life stage, from 18-24-year-olds to those 65 and over. The aim was to provide a unique insight into people's experiences of retail financial products and services, and to help the FCA to identify, and therefore to help, the more vulnerable groups.

Some interesting characteristics of UK consumers were revealed. As a simple snapshot:

- Single parents aged 18-34 are 3 times as likely to use high-cost loans (17% compared to the UK average of 6%).
- 13% of 25-34 year olds are described as "being in difficulty", because they've missed paying domestic bills or meeting credit commitments in 3 or more of the last 6 months.
- Only 35% of those aged 45-54 have given a great deal of thought to how they will manage in retirement.
- 65-year-olds and over are least likely to check if an internet site is secure before giving their bank or credit card details.
- Those 85 and over are least likely to cover their PIN when withdrawing money.

More significantly from our perspective as financial planners:

- Despite nearing retirement, around a quarter of those in the 55-64-year-old bracket who have a defined contribution (DC) pension don't know how much they have in their pot.
- 18% who have accessed a DC pension in the last two years don't know what they have done (e.g. taken annuity, income drawdown).
- There are signs that some of those who are very close to making their at-retirement decisions are not seeking out information, guidance or advice.

And alarmingly, half of the respondents in the 55-64 age group said they only expected to live to age 80 or less – which means that they are considerably under-predicting their longevity in relation to national average life expectancies. This, says the FCA, could have significant implications for retirement planning and making decisions about how to utilise or "decumulate" their pension pot.

It's also where financial planning becomes really important, and we would urge anyone, from any age group, to start a conversation as soon as they can to begin the process of ensuring you have enough funds to see you through life. It's never too early, or too late, to start.

## Key facts found for 65-year-olds and over:

- The State Pension is the main source of income for 49%
- 56% are receiving an income or have taken a cash lump sum from a private pension – 71% say they or someone else in their household receives an income from a pension other than the State Pension
- 35% never use the internet

*The Financial Lives Survey 2017, conducted by the Financial Conduct Authority, March 2017*

# BACK TO REALITY

Investments Manager Chris Morris is our man for keeping a weather eye on the economy and political events as they impact our financial decisions. With so much happening in the world (and Brexit poised to influence our home economy for some time to come) he looks back at something of a "significant" 12 months. Then it's back to reality – and to basics, as he says – with some sound sense for the foreseeable…

The last 18 months have witnessed a multitude of geo-political events, all of which have had an impact on investor and market sentiment. Starting with 'Brexit' and the UK's vote to leave the European Union (EU), we witnessed sterling fall to a 31-year low versus the US dollar[1].

There followed the success of Donald Trump in the US Presidential Election and the resulting 'Trump rally' off the back of anticipated corporate tax cuts.

Further events included the Dutch Election in March (with the re-election of the centrist ruling party), and Emmanuel Macron's success in the French Presidential Election… both providing support to European equity markets. More recently, the success of Shinzo Abe and his Liberal Democratic Party in Japanese Elections have helped push the benchmark Nikkei 225 index to its best close since mid-1996 on 27th October[2].

These events reaffirm to us, as investors, several key points.

Firstly, investors continue to be driven in their decision-making by sentiment, itself based on short-term macro events. A quality business is a quality business for a reason (good management for example), and will remain so irrespective of the political outcomes above, which, whilst important, are merely challenges to be overcome by a flexible management team. Investor sentiment drives short-term movements in markets, but it's the quality of the investee companies that's responsible for the medium to long-term results. The individual fund managers responsible for looking after our clients' wealth, will focus on company balance sheets, levels of borrowing, free cash-flow, historical dividends, profit margins, barriers to entry, etc., in making their underlying investment decisions, in the knowledge that such decisions are far more relevant to the outcome.

Investing is a long-term game, whereas reacting to short-term events is more akin to trading.

Secondly, trying to make predictions and second-guess both political outcomes, and the resulting impact on financial markets and asset classes is a 'fool's game'. Very few predicted all, or even most of these outcomes – Brexit was being priced in as unlikely right up to the time the polls closed and the first votes were being counted. Donald Trump was believed by many to be second behind Hillary Clinton, and even Emmanuel Macron was a rank outsider before the campaigns began. Undoubtedly the best position for an investor would have been to hold their market position throughout and avoid the temptation to second-guess. Whilst many may think they know best, history shows us that making predictions is nothing more than guess-work.

**Whilst many may think they know best, history shows us that making predictions is nothing more than guess-work.**

Recent data from the Office for National Statistics (ONS) reports that household savings ratios have fallen to only 1.7%[3]. Whilst the squeeze in 'real' incomes has had much to do with this (Consumer Price Index [CPI] inflation was 3% in September 2017), whereas average weekly earnings including bonuses increased by 2.2% for the period June to August 2017[4], it would be naïve to believe this is the sole reason. Perceived uncertainty, negative news headlines, and general concerns over market values have all had an effect, deterring savers from investing the amounts they should be, to deliver their future prosperity. Further, savers misjudge the amounts they need to deliver the future income they desire – a recent report from BlackRock highlighted that savers would like on average, an annual retirement income of £26,000 whereas they believe they require a fund of £233,000 to achieve this[5]. BlackRock believe a fund of £550,000 is more accurate.

Investors and savers would be well-advised to ignore short-term events and focus on the bigger picture and their long-term targets. A broad well-diversified investment strategy, with proven fund managers at the top of their game, is more likely to deliver the investment objectives sought, as against trying to time the markets.

As we say here, "time in the market is more important than timing the market".

[1] Source: Capital Economics, 22nd August 2017
[2] Source: BBC News, 27th October 2017
[3] Source: The ONS, first quarter 2017 savings ratios
[4] Source: The ONS, UK Labour Market Bulletin, October 2017
[5] Source: BlackRock, Pulse Report, July 2017

*The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.*

# IT'S ALL IN THE TIMING

Willson Grange Financial Adviser Garry Greenwood is a huge advocate for encouraging people to take out a savings plan – and in particular a pension – as early as they possibly can.

"Most people have very little idea about how much they really need to live comfortably in later life. The State Pension just isn't enough. Taking out a personal pension – and paying in as much as you can afford – is the best way to future-proof yourself," he says.

Garry has gathered together a few crucial areas that everyone should be considering at each of the six significant stages of adult life. By following these simple guidelines – at any age – we can at least do our best to protect ourselves in the present… and achieve as comfortable a future as we can. The younger we start, the better!

## In your 20s

- As soon as you start working, join your company pension scheme.
- Use as much of your salary as you can to pay off any debts you've accrued so far.
- Think about a Lifetime ISA* – these are designed for younger adults, enabling them to save (up to £4,000 a year) with the benefit of an added government bonus, of up to £1,000 a year. Basically, you get an extra 25% on top of what you have saved yourself. A perfect way to save up for buying a first home!

## In your 30s

- Continue to use as much income as you can spare to build up savings.
- Increase your company pension contributions.
- Consider a stocks and shares ISA.
- Starting a family? Think about life assurance (especially if you have a mortgage) and making a Will**.

## In your 40s

- Time to think about a personal pension (if you haven't already)! How will you manage financially if you live well beyond the state retirement age?
- Use your ISAs to help you build up your first home deposit, if you're not yet on the property ladder, or to enable you to invest in a bigger family home if you need it.

## In your 50s

- Maximise your pension pot by increasing your contributions as much as possible.
- Talk to your Financial Adviser about the options available for you when you retire and/or want to start drawing down your personal pension.
- Consider reducing the risk levels on your investments.

## In your 60s

- Make a decision about when you intend to retire, and what kind of income you will generate in retirement (see *How to boost your retirement income*, below).
- Think about helping your children or grandchildren financially (perhaps contribute to a Junior Pension/Junior ISA or other investment product).
- Look at your future housing needs – could downsizing release capital to invest?

## In your 70s

- Review your income, looking at how sustainable it is, and whether it's set to last you for the rest of your life.
- Look into estate planning – passing assets on to future generations, and reducing likely inheritance tax bills for your family.
- Consider long-term care requirements for your own future.

*Please note that St. James's Place does not offer a Lifetime ISA.
**The writing of a Will involves the referral to a service that is separate and distinct from those offered by St. James's Place. Wills are not regulated by the Financial Conduct Authority.

## Living for Today

A recent report by Scottish Widows revealed that 70% of under-30s are failing to save enough for their later years, leaving the majority "sleepwalking into a pension shortfall".

On average, those aged 22–29 expect to need just over £23,000 per annum for a comfortable retirement, but at current savings levels they are facing a shortage of £8,000 per year.[1]

For younger generations, the thought of retirement is often so distant, the temptation is to abandon pension saving and use the money for other purposes.

And fewer than half of 20-somethings are committed to staying enrolled in their workplace pension after minimum personal contributions begin to rise in April 2018, the study also revealed. But while retirement is likely to be the last thing on the minds of millennials, those who opt

# How to boost your RETIREMENT INCOME

The closure of final-salary pension schemes, together with rising life expectancy and associated health/social care costs make the tendency for younger people to focus on more immediate needs a much bigger issue than it was in the past.

Our *Finance in focus* feature (page 4) highlighted how, as revealed by the *Financial Lives Survey* for 2017, around half of today's 55-64-year-olds are actually under-predicting how long they will live. Consequently, they could well be under-providing for themselves in retirement. So how can they – and we – make our pension income go further? Here are our top five tips for a more secure retirement…

## 1. Keep tax bills to a minimum

Pension freedoms introduced in 2015 mean that, once you reach the age of 55, you can take as much cash out of your pension as you want. However, taking a big lump sum from your pension could mean you pay more tax, so you should always work out how much tax you will have to pay before you take money out.

You're usually allowed to take up to 25% of your entire pension pot tax-free; you may choose to keep the remaining balance invested, or receive a taxable income from it. If you decide to take out all the money from your pension in one go you will be charged Income Tax at your highest marginal rate on the remaining 75% of your pension pot.

(Remember that you could also pay Income Tax on your State Pension, earnings from employment, and any other income which, when combined with a pension withdrawal, could push you into a higher tax bracket.)

## 2. Consider deferring your State Pension

Retirees can actually defer their State Pension and get a higher income when they claim it later in retirement.

If you have enough income or savings to live off for now, delaying your State Pension can be quite beneficial. For example, your pension will rise by 1% for every nine weeks that you defer taking your State Pension – which works out at just under 5.8% for every full year you delay claiming it. Make sure you discuss this with your adviser first, since deferring can potentially affect other areas of financial planning and some other welfare benefits.

## 3. Top up your pension

If you've still got a few years to go before retirement, you should think about boosting your pension savings now to benefit from the current rates of tax relief and potentially a higher income when you stop work.

If you're a basic rate taxpayer, you'll receive tax relief at 20% on your pension contributions, which will automatically be added to your pot. If you're a higher or additional rate taxpayer, you can claim an extra 20% or 25% through your self-assessment tax return. It means that a pension contribution of £1,000 can cost a top-rate tax payer as little as £550, however, the amount of tax relief you can claim is subject to restrictions.

## 4. See if you qualify for higher annuity income

If you smoke, drink heavily, or have health problems, then you could qualify for an 'impaired life annuity' or 'enhanced annuity', which can offer much more income than a standard annuity, as pay-outs reflect your reduced life expectancy.

## 5. Combine your pension pots

Do you have more than one pension pot, with different providers? It might be a good idea to combine them into one. This makes it easier to keep track of your overall savings and estimated income at retirement. Also, many older-style pensions don't offer access to the new range of pension freedoms.

Consolidation could also be a good idea if one or more pension pot has an inappropriate level of equity exposure or is languishing in a poorly-performing fund.

It's important to take time to understand the pros and cons of consolidation as this may not be in your best interests, so you need to know what's right for you. Your Willson Grange Financial Adviser will be happy to talk the process through with you.talk the process through with you.

*The value of an investment with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.*

*The level and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.*

out of their company pension scheme are likely to lose entitlement to valuable contributions from their employer. The long-term impact can be devastating, because pension contributions paid in the early years have the most to gain from potential investment growth.

Understandably, many younger people are postponing saving into a pension until they are free of financial pressures like student debt, mortgages, or starting a family. But unfortunately, the longer they leave it, the harder it will be for them to achieve the retirement they want.

"To demonstrate, someone who starts saving into a pension at 25 years of age would need to put aside £293 each month to achieve an income of £23,000," says Ian Price, Divisional Director at St. James's Place.

"Someone who delays saving until 35 would need to put away £443, and at 45 this would be £724.

"Someone who left retirement saving until the age of 55 would need to put away £1,445 a month to enjoy a £23,000 annual pension."[2]

The figures are a stark reminder that people who commit to pension saving early in their working lives have a much better chance of achieving their desired income level in retirement.

*The value of an investment with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.*

[1] Based on research carried out online by YouGov across 5,314 nationally representative adults in April 2017. See: http://reference.scottishwidows.co.uk/docs/2017-06-Adequate-Savings.pdf [2] Estimates derived using the Pensions Calculator on the Money Advice Service website, assuming someone earning £30,000 a year, with contributions being supplemented with a 4% employer contribution. The calculations allow for inflation, both in discounting back the final results so they're in 'today's money' and in assuming that contributions increase with earnings each year.

# FAMILY GATHERING

New rules introduced in April this year allow you to pass on more of your estate free of IHT. However, many people are not fully aware of the thresholds, so it's important to be clear on the facts.

There are few more confusing – or unpopular – taxes than Inheritance Tax (IHT). For older generations, the prospect of paying up to 40% tax on what they leave behind is difficult to contemplate. For some children and grandchildren, grappling with IHT is something they are ill-equipped to do.

And yet it's clear that more and more families are going to have to deal with IHT.

The latest figures from HMRC show that the government collected £5.1 billion in IHT in the 12 months to May this year – up 9% on the same period last year[1].

IHT is set to be even more of a money-spinner for the government in future; the Office for Budget Responsibility predicts that receipts will increase to £6.2 billion by 2020/21.

Many more families are being dragged into paying the tax thanks to soaring house prices, while rising Stamp Duty costs are making elderly people think twice about downsizing. However, there are steps that families can take to mitigate its impact. For Tony Müdd, Divisional Director, Development & Technical Consultancy at St. James's Place Wealth Management, there are two crucial elements: taking advice and planning.

"The earlier you start thinking about IHT, the easier – and less damaging – it is, and the more options people have," he says. "That doesn't mean that, if you leave it late, it's too late. There are still things you can do; they are just more limited."

The threshold at which your estate becomes potentially liable for IHT at 40% is £325,000 per person. In the 2017/18 tax year, there is an additional £100,000 'residence nil rate band' (RNRB) that can be used against the value of your property – but only if you leave it to a lineal descendant.[2] The RNRB is set to rise gradually by £25,000 a year to £175,000 per person from April 2020.

## Inheritance Tax Unwrapped

Thinking about estate planning? Don't fall into the trap of assuming your business interests will avoid Inheritance Tax…

Business Relief, formerly – and still, by many – known as Business Property Relief, is much like Entrepreneurs' Relief; a valuable tax relief afforded to business owners. Unlike Entrepreneurs' Relief, however, its origins aren't about rewarding entrepreneurial spirit, but ensuring that on the death of a business owner, the business itself does not need to be sold or wound up to meet the IHT bill.

Business Relief reduces the value of a business or its assets when working out how much IHT has to be paid. In practice, most business property will qualify for a reduction in value for IHT purposes of 100% – in other words, total exemption.

What's not readily appreciated is that Business Relief only applies to relevant business property, with the value of any 'excepted assets' being excluded. Given the potential value of this relief, it is essential that business owners understand where the boundaries lie.

Excepted assets are left out of account when valuing property which will qualify for relief. An asset will be an excepted asset if it was neither:

- Used wholly or mainly for the purpose of the business for two years immediately before the transfer (most commonly death or gift into a discretionary trust*), nor;
- Required at the time of the transfer for the future use of the business.

FOR EXAMPLE… Tony is a 50% shareholder of XYZ Trading Limited. He has owned the shares from inception, in 2011, and estimates the total value of the business to be £3 million. His own shareholding therefore has an estimated value of £1.5 million.

As a trading business, Tony believes the entire value of his £1.5 million shareholding will be exempt from IHT. However, XYZ Limited has accumulated £700,000 of cash, which is retained by the business. It is a sum which has been steadily increasing and there are no plans for the business to use these

* Trusts are not regulated by the Financial Conduct Authority.

Müdd points to this as an example of "some of the genuinely generous reliefs that have been introduced". But he adds that the devil often lies in the detail. "When it comes to IHT planning, advice is essential," he says. "The reliefs often come with caveats and, unless you understand what those are, you are making assumptions. Quite often, those assumptions are wrong."

For instance, those without children cannot benefit from the RNRB; thus, if you leave your home to a niece or nephew there will be no additional allowance. Likewise, it may not be available when a property has been left in trust, because the beneficiary is a trust, not a direct descendant. It could therefore be important for those who have put such arrangements in place to review their Wills.*

Estates valued at £2 million or more will lose £1 of the RNRB for every £2 of value above £2 million; meaning that if your estate is currently worth more than £2.2 million, there will be no RNRB.

Thoughtful estate planning can help you pass wealth on to your designated beneficiaries in the manner you choose, while reducing your taxable estate.

*The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.*

**Will writing involves the referral to a service that is separate and distinct to those offered by St. James's Place. Wills are not regulated by the Financial Conduct Authority.*

[1] HMRC Tax & Receipts, 21 June 2017 [2] This also applies to other lineal descendants, including step-children, adopted children or foster children.

monies either now or in the future. As a result, the £700,000 of cash is likely to be an excepted asset and, as Tony has a 50% shareholding, £350,000 of his shares in XYZ Limited will be exposed to IHT.

Like Tony, many business owners let profits build up in the company bank account because they want to avoid paying higher rates of Income Tax on any money they take from the business. Unfortunately, HMRC rules state that, if a business holds cash that is not used in the company's trade, then a proportion of the company's assets are subject to IHT.

In some cases, it is possible to claim Business Relief where it can be shown that the cash is being retained for future investment in the business. However, it is not always possible, so it is best to obtain professional advice, especially while you are still able to put things right.

*The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief depends on individual circumstances.*

# A Head Start

Every parent wants their child to get the best start in life. For most, that will mean finding the best place for them to be educated and begin their journey in life. A private or independent school could offer your child the right opportunities, but it requires significant investment – and long-term planning.

There's no doubt that, with the right choice of school, a private education can offer a child enhanced opportunities, with the most up-to-date facilities, a full range of activities and favourable staff-to-pupil ratios. It's a choice that more and more parents appear to be taking – with a record number of children at private schools. The Independent Schools Council (ISC) maintains that 523,000 pupils currently attend 1,301 ISC schools – the highest level since records began in 1974.

And yet, the costs of a private education are spiralling. Private school costs have been rising at a rate that far outpaces wage growth and inflation – and now costs more than double the amount it cost in the year 2000[1].

According to The Centre for Economics and Business Research, sending a child to a private day school costs, in total, an average of £141,863[2] (almost two thirds the cost of the average UK home![3]). If your children need to go to a boarding school, then the average cost rises to an eye-popping £260,927[2].

While a portion of boarding school fees are merely cross-transfers of costs that you would otherwise be paying at home (such as food and sports clubs), and will save you having to pay out on school runs and childcare, a quick comparison with the average cost of bringing up a child (last year it came in at £231,843 to raise a child from birth to the age of 21[2]) shows how much extra it is costing parents who choose to invest in this way.

But however frighteningly, or exclusively expensive it seems, the simple truth is that parents are not shying away from the dream of potentially top-quality, all-encompassing private education for their progeny.

## How can *you* turn such an expensive aspiration into a reality?

While the financial implications are, on the face of it, extremely daunting, the key to affording school fees is to plan – and start saving – as early as you can.

"Saving soon after a child is born can help to build a fund over ten years, ready for when they go to senior school," says Andrew Humphries, Private Client Director at St. James's Place.

Working out how best to invest for school fees involves determining your own attitude to risk, your investment timeframe and the way in which you plan to pay for them.

Putting the money into a savings account, for example, doesn't offer much potential for capital growth, and is unlikely to be the best solution for building a fund for school fees (all the more so when the Bank of England rate is 0.5% and inflation is 2.9%[4]).

An alternative route is investing the money in stocks and shares – but that means taking on additional risk and adopting a longer time horizon. Historically, however, returns from stocks and shares have outperformed cash[5].

"Generally, parents looking to fund school fees fall into three categories – those who want to invest a lump sum, those who would pay out of income, and parents willing to set up a regular savings scheme to provide funds to cover future fees," says Humphries.

"There are several options available to help make school fees more affordable – and they can be both tax-efficient and flexible."

One such option is using your annual ISA allowance, which permits tax-efficient contributions of up to £20,000. But with so many methods available, seeking the right investment strategy is not easy. Doing your homework and seeking out trusted, expert advice is, as always, the key to long-term success.

*The value of an investment with St. James's Place will be directly linked to the performance of the funds selected and the value may fall as well as rise. You may get back less than the amount invested. The favourable tax treatment given to ISAs may not be maintained in the future, as they are subject to changes in legislation.*

*An investment in equities will not provide the security of capital associated with a deposit account with a bank or building society.*

[1] http://www.independent.co.uk/news/uk/home-news/the-charts-that-shows-how-private-school-fees-have-exploded-a7023056.html
[2] https://www.lv.com/about-us/press/article/cost-of-a-child-2016 [3] UK House Price Index (HPI) September 2017
[4] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/aug2017 [5] Barclays Equity Gilt Study 2016 (published March 2017), page 58

# Mastering the art of Grandparenting

Whatever Christmas brings, one thing you can always count on if there are children in house – the floor will be littered with toys, some appreciated, some discarded. Why not make your grandchildren a gift that they'll still appreciate long after the batteries have run down, and the boxes shoved beneath the bed?

It's the age-old dilemma. Christmas is coming. You have a bevvy of grandkids to please. Do you give in to those imploring voices and go in search of the latest noisy techno toys that you know will litter the floor from Christmas Day till, at best, the end of January?

Or do you go for a gift of real – and perhaps longer-lasting – value?

Willson Grange has the perfect solution… a Junior ISA – one of the most flexible ways to help secure your children's and grandchildren's financial future, and a present that will continue to hold you in the highest esteem with your grandchildren for many years to come. (NB, only a parent or legal guardian can set up a Junior ISA, although grandparents can contribute freely.)

## FOREVER GRATEFUL

The younger generation are facing new and difficult financial challenges as they grow up in the modern world. With university tuition fees, slowing wage rises and the increasing difficulties for young people setting up home (the average deposit on a house for a first-time buyer is now £32,899![1]), young people are forever grateful for any help they can get onto the ladder of life.

The Junior Individual Savings Account is a long-term, tax-efficient savings account for children under the age of 18 who live in the UK. Introduced in 2014, it offers parents, grandparents and other relatives and friends the opportunity to invest regular contributions or lump sums on behalf of the child. Replacing the old Child Trust Fund (CTF)*, the Junior ISA, provides the same tax advantages as a standard ISA: tax-efficient interest on cash deposits, no further liability to Income Tax on dividends and no Capital Gains Tax.

There are two types of Junior ISA:

- A cash Junior ISA. You won't pay tax on interest on the cash you save.
- A stocks and shares Junior ISA. With this, your cash is invested and you won't pay tax on any capital growth or dividends you receive.

A child can have one or both types. Ask your Willson Grange Financial Adviser for advice and help in setting up a Junior ISA for your children or contributing to one for your grandchildren.

* If your child/grandchild already has a CTF account, and was born between 1 September 2002 and 2 January 2011, they could move their CTF to a Junior ISA.

*You should be aware that the favourable tax treatment given to the Junior ISA is subject to changes in legislation and may not continue in the future. An Investment with St. James's Place will be directly linked to the performance of the funds selected and may fall as well as rise. You may get back less than the amount invested.*

*An investment in a stocks and shares ISA will not provide the security of capital associated with a Cash ISA.*

[1] Halifax First-Time Buyers Review, June 2017

# Down with the kids!

To make yourself even more popular with your little ones come Christmas, why not box clever, and combine your contribution to a Junior ISA with something a little more tangible and exciting (to them)? To make it easy for you, we've searched out the most hotly-tipped toys and games for Christmas 2017. Who says grandparenting was hard?

Fifty years ago, it was Spirograph; last Christmas it was Hatchimals – those super-cute robot creatures that arrive in an egg and hatch themselves – that were the sell-out toy that every parent tried (often in vain) to get for their deserving darlings. Hatchimals were awarded Toy of the Year by the Toy Retailers Association in January – and word is, they're back with a fabulous new twist this year.

So what's new? Manufacturer Spinmaster has changed the Hatchimal so it's not only bigger than last year… but the egg hatches twins. Each twin has different characteristics: one likes to move, while the other can repeat whatever you say. Hatchimals also evolve as they're played with, so there will be lots more laughs and smiles to come.

## TOP OF SANTA'S LIST PREDICTIONS FOR 2017

### ARGOS

1. Luvabella, £99.99
2. Airhogs DR1 Official Race Drone, £99.99
3. Disney Cars 3 Lightning McQueen, £39.99
4. Hatchimals & new Colleggtibles, from £2.99
5. Tiny Treasures Twin Set, £79.99

### HAMLEYS

1. Tyler the Tiger, £135
2. Luvabella, £99.99
3. Fisher Price Dance & Move Beat Bo, £33
4. LEGO BB-8 (Starwars The Last Jedi), £85
5. Barbie Dreamhorse, £90

Toy retailer Argos predicts that decades-old favourite, LEGO, and 'tech' toys look set to dominate Christmas wish lists this year – LEGO Friends Sunshine Catamaran (£65) is high on their list of potential top-sellers, along with the more aspirational LEGO Boost (£149.99), which includes five LEGO robots that, when built, can then be coded and brought to life using a free app.

Combine 'tech' with 'cute' and you really can't go wrong, it seems; a fact borne out by London toy store Hamleys' list of potential top-sellers. No.1 on their list of perfect presents for tiny tots is the terrific Tyler the Tiger. For four-year-olds and over, Tyler is a playful, interactive cuddly toy that makes noises and responds when spoken to. In fact, he has more than 100 sound and motion combinations, such as closing his eyes when stroked on the head. A truly huggable gift that will be genuinely loved. He's not cheap, though, at a roaring £135.

Second on the Hamleys wishlist is another cutesy interactive toy – Luvabella (predicted no. 1 bestseller by Argos, so, though innocent looking, her retail power is not to be underestimated). The Luvabella doll (£99.99), again, responds to human interaction with noises and movement. She plays peek-a-boo, can be tickled, reacts when spoonfed and comes with a mini cuddly toy of her own that she can play with.

For slightly older girls, Barbie's Dreamhorse is going to be very popular with both doll- and pony-lovers. It's Barbie's most interactive horse yet – reacting to touch and sounds, and featuring more than 30 realistic reactions including walking forward, turning 360 degrees and neighing. Dreamhorse (£90) can also feed – there's a bunch of carrots included. Set to be a real winner on Christmas Day.

For boys, Nerf Guns are still likely to be popular (though maybe not such a hit with mum and dad!). Retailing at £50, the latest Nerf Nitro Longshot includes a blaster, long-jump ramp, two foam cars with plastic wheels and four obstacles. Kids can design long-distance jumping challenges with their vehicles (and friends).

Finally, who doesn't love a silly Christmas game the whole family can enjoy? Get A Grip is likely to replace the ever-popular Pie-Face as the top-selling Christmas family game. Hasbro's twist on the no-thumbs challenge, players compete head-to-head (or hand-to-hand) in challenges without being able to use their thumbs. Includes cards that tell users what to draw, sculpt or do without their no.1 digit. Hilarity will, of course, ensue!

Source: dreamtoysforchristmas.co.uk, viewed Nov 2017; www.toyretailersassociation.co.uk/dream-toys, viewed Oct 2017

Hatchimals Egg Surprise is expected to be a huge seller this Christmas, so you'd better get your skates on if you want to be favourite Gran and Grandad. (Skates, incidentally, were top of the toys in 1759, when the roller skate was introduced by inventor Joseph Merlin – just one for every good grandparent's 'Useless Information Factfile'!).

# Health wealth

Whatever happened to the thank you letter? Just one of the casualties of our fast-paced, high-tech social media-led lives? Most probably. Yet saying a heartfelt, hand-written 'thank you' (as opposed to a quick thanks in passing or on a friend's Facebook page) has a longer-lasting and more positive effect than you might imagine.

## GRATITUDE ATTITUDE

Being grateful, whether it's for that Christmas present from Aunty Barbara, an appreciation for a kind or thoughtful act, or simply feeling thankful that the sky is blue and your children are happy and healthy, has been shown in numerous studies to improve well-being, sleep and even mental health.

According to Professor Robert Emmons, professor of psychology at the University of California and one of the world's leading scientific researchers on gratitude: "Something happens when we put our feelings into words. Our brain begins to change. Recent neuro-imaging studies suggest the possibility of a gratitude-driven neuroplasticity".

As well as writing occasional letters to friends and family to express our thanks, Professor Emmons, editor-in-chief of *The Journal of Positive Psychology*, advocates keeping a daily "gratitude journal". Writing down all the things you feel thankful for at the end of each day can, he says*, increase happiness by as much as 25 per cent, while keeping a gratitude journal for as little as three weeks results in better sleep and more energy.

In one of his most famous and cited studies, Emmons asked a group of people to keep a gratitude journal for 10 weeks. Participants reported considerably more satisfaction with their lives as a whole, felt more optimism about the upcoming week, and felt more connected with others than a separate group of non-journallers.

He even found an unexpected extra side-effect of their expressions of gratitude; it increased their motivation to exercise. The diarists, he discovered, were active for a further hour and a half each week than the non-diarists. The reason why is yet to be discovered. But his theory is that focusing on the positive points helps reduce stress and anxiety, which frees up energy to exercise.

* *Thanks! How the New Science of Gratitude Can Make You Happier* by Robert Emmons PhD


### SLEEP EASY

According to research from the University of Manchester, developing a grateful way of thinking improves the quality of sleep. Researchers found that those people who mentally ran through what's going right in their life last thing at night fell asleep more quickly, and woke up feeling more refreshed than those who just thought about their day in general.

So many reasons, then, to bring back the Thank You letter… if not simply to make someone else's day!

### CURRYING FAVOUR

If a good curry is high on your list of favourite comfort foods, you'll welcome the news that a bit of spice can actually help to keep you looking and feeling young.

Sebastian Pole, ayurvedic practitioner and master herbsmith at Pukka Herbs (pukkaherbs.com) says, "It's important to support a healthy circulation and encourage good blood flow to re-energise and oxygenate the skin. Choose stimulating but not 'hot' spices, such as turmeric, which is brimming with anti-ageing and skin protecting antioxidants."

Ginger is beneficial, too: containing the antioxidant gingerol, it helps to protect against collagen breakdown, keeping the skin soft and supple.

# Grey Gappy Happy

Three in five UK workers intend to work past State Pension age, according to a recent study by life insurance company Aegon: half of those polled expect to change the way they work, with only one in ten saying they will continue to work their existing hours[1].

Will retiring from your full-time job mark the end of your career? Or will you be a 'grey gapper', travelling the world before returning, refreshed and ready for a new phase of work? That's the choice some of those in their 50s and early 60s now have. It's a new, gradual approach, that has big advantages.

"It avoids a cliff-edge retirement, which takes people straight from full-time employment to permanent retirement, allowing them to phase into a different lifestyle," says Tim Middleton, technical consultant at the Pensions Management Institute.

"While retirement can be very positive, you may miss your colleagues and the sense of purpose that work brings. Phased retirement gives a social aspect and an intellectual challenge."[2]

Undeniably, it's also a chance to break with decades of workplace routine.

Whereas previous generations had too little choice about how or when to retire, we now find ourselves beset by a host of decisions. Do we 'downshift', taking on less responsibility, or do we stay in post but simply go part-time? When's the best time to take our pension; and do we take it all, or just part of it? Do we dip into our ISA savings first?

"Many people like the idea of working but not full-time, so the cliff face is being replaced by a glide path," says Ian Price, divisional director at St. James's Place. "This brings tricky decisions, such as whether to pay off the mortgage or help the children get on the property ladder, and when to start taking pensions. Financial advice on retirement planning is essential."

In the meantime, organisations such as Age UK and Aviva are trialling midlife career reviews with employees – and a government-sponsored review, *Smoothing the Transition* (published in March by John Cridland) recommends that these be incorporated into mainstream HR practice.[3]

Ironically, the shift to phased retirement is taking place at a time when longer life expectancy means larger retirement pots are required. And for all the talk of 'grey gappers', it's important to remember that financial necessity will drive many decisions. For the generation now contemplating retirement, the trick will be to make the new 'fewer-hours-but-more-years' approach to work meet both its financial needs and its wider hopes of personal fulfilment.

[1] aegon.com, May 2016 [2] lv.com, February 2016 [3] gov.uk, March 2017

## CUT IT OUT

… And now for something you might not want to hear! The key to getting a proper night's sleep could be as simple as cutting out your nightly glass of wine. "That night-time tipple to help you go to sleep may be doing just the opposite," says nutritionist Shona Wilkinson (shonawilkinson.com). "It might relax your muscles at first and help you to snooze, but it can disrupt the various stages of sleep and wake you up in the middle of the night. If you don't want alcohol to stop you from snoozing, avoid drinking for four hours before bedtime. The rule stays the same when it comes to coffee, as it raises your blood pressure, speeds up the heart beat and increases brain activity; you'll find yourself tossing and turning for hours after treating yourself."

# WASTE WARS

As our thoughts are inevitably turning to the festive period, with food (with all the trimmings) no doubt high on the agenda, it might be worth reminding ourselves that, sometimes, you really can have too much of a good thing.

It's estimated that 1.3 billion tons of food is wasted globally each year – amounting to nearly 40 per cent of global production. In the UK alone, we waste over 15 million tons of edible food each year*, mainly due to stringent or confusing food safety legislation. Maybe it's time to give something back, and join in the wise consumer's war on waste…

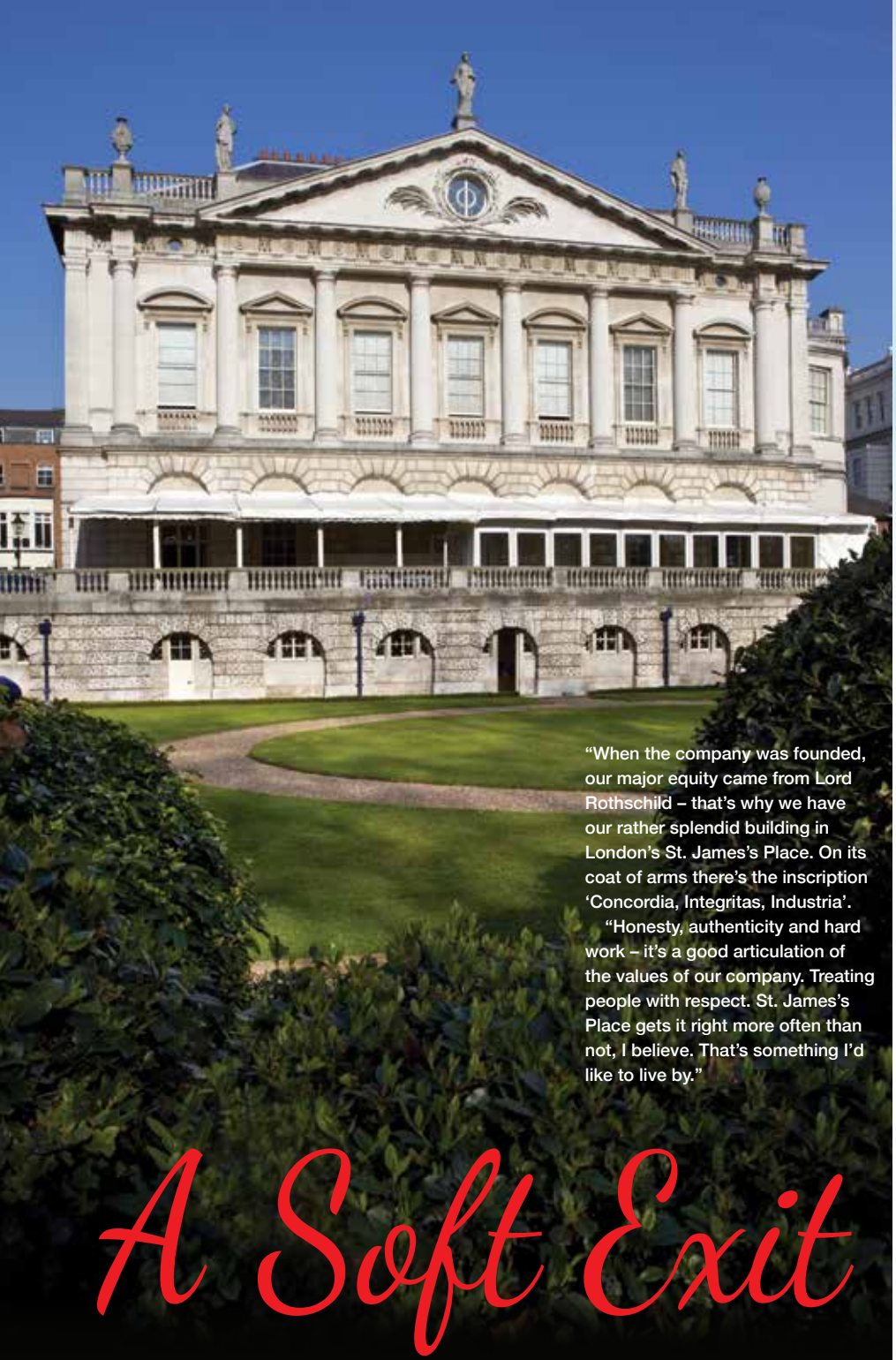
❄ Britain's first-ever food waste supermarket opened its doors in 2016. Brought to life by the Real Junk Food Project (an organisation that runs cafés and restaurants with a similar purpose around the country), the supermarket stocks food that would otherwise have been thrown out but is still perfectly good to eat. Using their pioneering PAYF (Pay As You Feel) system, customers pay whatever they can or volunteer their services in exchange for the food.

"Feed Bellies, Not Bins" is their catchy motto, while giving more people access to fresh food and other essentials for a healthy diet.

❄ FARE SHARE is a fantastic UK charity fighting hunger and food waste. Through surplus food redistribution, last year, the organisation made 28.6 million meals from in-date supermarket food that would otherwise have gone to waste.

"But it's about more than meals," the charity says. "We supply food to places that provide life-changing support as well as lunch and dinner." … Places such as homeless hostels, children's breakfast clubs, lunch clubs for older people, domestic violence refuges and community cafés (6,273 of them in fact). From Brighton to Aberdeen, Fare Share's Regional Centres reach out to 1,300 towns and cities throughout the UK. Last year some 13,552 tonnes of food were redistributed by the campaign in this way. To find out more, visit fareshare.org.uk.

*Source: The Real Junk Food Project



"When the company was founded, our major equity came from Lord Rothschild – that's why we have our rather splendid building in London's St. James's Place. On its coat of arms there's the inscription 'Concordia, Integritas, Industria'.

"Honesty, authenticity and hard work – it's a good articulation of the values of our company. Treating people with respect. St. James's Place gets it right more often than not, I believe. That's something I'd like to live by."

# A Soft Exit

Hanging up your working boots fully at 65 is no longer the lifestyle of choice for Britain's 'retiree' generation. Instead, a phased retirement is the order of the day for those still-young 60-somethings, who, after a long and fulfilling career, quite simply don't feel ready to retire.

As if to prove the point, *Aspire* had the pleasure, and real privilege, of talking to David Bellamy – Chief Executive Officer for St. James's Place Wealth Management Group – just as he prepares to step down from his full-time executive role at the end of 2017.

As we meet at Spencer House – the glorious flagship building of St. James's Place just a stone's throw from London's Green Park – David Bellamy CEO, 64, is open, if a little cautious, about talking of his impending retirement. Or "passing on the baton" as he calls it.

It's a significant start to the conversation, as David is definitely not viewing the change to his role, and his life, as a retirement at all. It's simply a "transition" to a new phase; "a step on the journey towards retirement".

"I'm not retiring just yet!" he says, with a smile.

And indeed he isn't. As the end of the year approaches, David will be looking forward to spending a little less time in his executive chair at the company headquarters in Cirencester (two days a week to be precise) and a little more time on "external interests" (more of which later).

As someone who has been on the Board of one of the UK's most successful businesses for 20 years and at its helm for the past 11, David has certainly earned a little time off to relax. He has spent much of his working life immersed in shaping the company – St. James's Place Wealth Management – into what he understands to be the second youngest organisation to have reached the FTSE 100 Index.

"Not many companies make it in just over 20 years, but we did," he says with obvious and quite justified pride.

Not that it was ever easy, he admits. "Within a year of becoming CEO, the world changed!" says David. "The banking crisis happened, and we found ourselves having to navigate our way through the most difficult times the Financial Services industry has ever seen.

"Our major shareholder, HBOS, essentially collapsed and we found ourselves 60% owned by Lloyds. As we came out of the credit crunch, increased regulation placed a further burden."

Finally persuading Lloyds to sell its shares in 2013, the company became fully quoted on the stock market. The shares attracted many more shareholders from around the world, driving the price up, and St. James's Place was elevated to the FTSE 100 index in the following year. How did they – a relatively new company on the block – manage a momentous achievement like that?

"You learn to deal with 'stuff'," says David pragmatically. "There shouldn't be any angst in business. Whatever's thrown at you, however unexpected it is, you just have to deal with it.

"It's about controlling the controllable – making the best of what you're given. The team I work with has a knack of seeing the opportunities to navigate their way through.

"We essentially evolved the business from life assurance to wealth management; a gradual journey. They did well under such

unbelievably challenging circumstances, and we're still in great shape, growing year on year. I'm very proud of what we've all achieved."

That calm, no drama, 'just get on with it' approach seems to be a recurring characteristic throughout David's working life. And is possibly why his career has taken on a satisfyingly linear progression.

Brought up in Plymouth, he left school at 16, armed with three 'O' levels and found his first job in a shoe shop. Soon after, David took a transfer to the newly burgeoning town of Swindon, and with his young wife and new baby started thinking about his next career move. A truly defining moment, as David recalls.

"Jan and I came to Swindon with nothing. But we didn't feel we were missing out; we were just getting on with life. But maybe I did start to think that a career in shoes probably wasn't going to 'do it' for me, so I wrote to a new company that had come to town. And that company was Hambro Life Assurance. It was merely circumstances, really, that led me into Financial Services."

For the next 19 years, whilst Hambro Life grew and became Allied Dunbar, David worked his way from an accounts administrator to a reasonably senior position as Divisional Director. When some of the key directors broke away to start a new business at the end of 1990, they asked David to join them.

"That was my lucky break, if you like. I joined the three founders and so I was one of four people to start the new business that was to become J. Rothschild Assurance. I was appointed to the Board of the holding company in 1997, became MD in 2000 (when the company name changed to St. James's Place) and then CEO in 2007."

**Back to that "retirement" word. How does David really view it, bearing in mind he is closely tied to the pensions industry, too?**

"Retirement – as a traditional concept – has changed. There's been a huge life shift," he says.

"Forty years ago the vast majority of people typically retired at 65 with a company pension. However, now, the majority of people retire without a company pension. They're now having to take responsibility for their own financial situation in retirement.

"At the same time, health and medical science have progressed; people are living longer and, as a consequence, looking at a potentially longer retirement. So the precision of retiring at 65 has gone. It's a case of 'transitioning' – keeping active and stimulated, and even employed in some way for as long as we can.

"That's good. It's good for our health. It can be good for our finances, too, if we take responsibility early on."

> "The precision of retiring at 65 has gone"

**What do you think of the Pensions Freedoms introduced in 2015?**

"A complex mix. The Freedoms have given people back the responsibility for their own money… providing they deal with it in a responsible way. And that means, generally, taking out a little at a time, and keeping as much in as you can so it carries on working.

"With the financial landscape ever changing, people need to tap into as much advice as they can. Nobody's circumstances will be totally unique, and no one person has all the answers. But it's important to talk to people with experience.

"Basically, what I'd say is, 'don't rush at anything. Take your time. Small decisions are fine – but take time over the big decision, as they're not so easy to reverse'.

"St. James's Place has been very good at this. By taking a careful approach, things will improve, bit by bit, year by year – and this will stand us, and our clients, in good stead for the future.

"Most clients simply want us to look after their money, deliver decent returns and to treat them properly. If we try our best to do that, everything else falls into place."

**Looking back at your career, what can you be most proud of?**

"That we're managing to balance the interests of all our stakeholders – that's clients, shareholders, employers, Partners, suppliers, regulators and the communities we work in – in a fair and equitable manner.

"Also, we've created a really strong giving culture, with the St. James's Place Charitable Foundation [of which David is a Trustee].

"Our management team do a really great job in balancing all these interests. Hopefully our clients would all agree that we give a lot back to the community. We engage with schools, offer apprenticeships and internships, not to mention gainful employment – we currently have 1,600 staff at our Cirencester headquarters, then there are the thousands of advisers and Partner Practices around the country, like Willson Grange.

"As you get older, you get wiser. You go through life's journey. Maybe I've become quite old-fashioned in my outlook over the years. I believe in a good culture within an organisation. I feel like we're in a good place – our values are right and we've created a truly sustainable business."

**And what about the future?**

"My 'stepping down' is as much a transition for the business as it is for me. Looking ahead, there's always going to be more 'stuff' to deal with. Brexit to name but one. As ever, we'll focus on dealing with whatever we have to, whenever we have to. We like to remain very positive as an organisation. And a responsible business, too – we have a good sense of what's right for the stakeholders, and always aim to keep them at an equal advantage.

"I've worked with a great team of people for the last 25 years and I know I leave it in really good hands."

**What will you miss?**

"I'll still be working for St. James's Place for two to three days a week, overseeing our Asia and international interests. This is the 'transition' period I've been speaking of; I'm moving on to an exciting new phase of my life.

"Outside of work, I suppose I've become quite serious over the past 10 to 11 years; it goes with the job. So I'm looking forward to a more relaxing time ahead – spending time with Jan and our three children and six grandchildren, keeping the grey matter ticking over, doing some charitable work and – of course – spending more time on my enjoyment of National Hunt horseracing.

"…Having said all that, St. James's Place has been my entire life, alongside my family, for as long as I can remember. So ask me in a couple of years!"

• *David Bellamy will be "handing over the baton" of Chief Executive Officer at St. James's Place Wealth Management to Finance Director Andrew Croft on the 31st December 2017.*

# BATTLE OF THE SEXES

The gender equality pension gap has generally had fewer column inches than equal pay – it certainly hasn't inspired any Hollywood films (as yet!) – but that's not to say the consequences aren't just as serious.

Women have barely a third the pension savings of men, research by life insurance company Aegon has revealed. Their average pension pot holds just £24,900 – far below the £73,600 average for men.[1]

What's more, next year will see an increase in women's State Pension age. The changes are being brought in earlier than originally planned, leaving many women born in the 1950s facing an extra five-year wait to receive their State Pension – and as a result, hundreds of thousands of women have had to re-plan their retirements.

"There are a number of reasons behind the widening pension savings gender gap," says Kate Smith, Head of Pensions at Aegon. "Auto-enrolment has successfully introduced 7.6 million people to workplace pensions but the gender pay gap means that men are effectively saving more without even thinking about it."[2]

Planning ahead is key, not least because it can enable you to identify key periods during which you might be able to increase your contributions.

"Reviewing your existing pension provision and getting a State Pension forecast (including checking your State Pension age) is the first step to

[1] Aegon UK Readiness Report, Edition 6, April 2017
[2] The Pensions Regulator, 11 April 2017

## Challenge of a Lifetime

In the last half-century, there have been significant improvements for working women. But according to the World Economic Forum, gender inequality remains stubbornly persistent.

In the UK, women are adrift on a number of key measures. The UK was the ninth most gender-equal country in 2006, but by last year had slipped to 20th place.[1]

Equal pay is often seen as a key marker of social progress. In Europe, one of the world's most equal continents, income inequality is still a major problem. The average gender pay gap within the European Union is around 16%, which means that, for every €1 a man in the EU earns, a woman will earn 84 cents.[2] Women in the UK are still earning 18% less on average than men, across full- and part-time work.[3]

Likewise, the proportion of women saving adequately for retirement remains well below that of their male counterparts.

### WHY THE GAP?

Life events and phases such as maternity leave, bringing up children, or caring for an elderly parent can contribute to women having shorter or more disrupted careers. This gives them less opportunity to earn and to convert some of those earnings into pension savings. But women also tend to live longer than men, so it's arguably even more important that they actively engage with saving for retirement.

Yet more than two fifths have never reviewed or taken any action to improve their plans for retirement, and just a fifth have engaged in the last six months. This is well below the level for men, a quarter of whom have checked or amended their pension plan in the last six months. It goes

at least some way to explaining why more than a third of women don't know how much they have saved in their pension.[4]

### LOOKING UP AT LAST

The research by Aegon does point to some positive trends. In April 2015, women had an average of just £16,700 saved in pensions, but this increased to £20,400 in 2016 and has since risen to £24,900 – up 49% in just two years.[4]

Aegon claims that pension freedoms, which allow people over 55 to use

[1] World Economic Forum, The Global Gender Gap Report 2016 [2] http://ec.europa.eu, accessed 9 May 2017 [3] Office for National Statistics, 26 October 2016 [4] Aegon UK Readiness Report, Edition 6, April 2017

# Thinking Ahead

One of the biggest barriers to saving for our retirement is the inability to picture ourselves in the future, experts say

understanding how much you might need to put away," says Ian Price, Divisional Director at St. James's Place.

"If it's appropriate, increasing pension contributions for a set period of time, perhaps once children have reached school age and when childcare is no longer an expense, could go a long way to making up for any gaps in your pension saving history."

*The value of a pension with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up.*

their defined contribution pension in a variety of ways, have directly led to 13% of women saving more into their pension since their introduction in 2015. But it may also be that women are becoming increasingly aware of the need to provide for later life.

"It can't go unnoticed that women have made some encouraging steps forward in saving for retirement," says Aegon's Kate Smith. "However, the difference between men's and women's pension savings is stark."

*The value of a pension with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up.*

**NEED TO CATCH UP?**

**Speaking to a qualified Financial Adviser can help you to work out what your short- and long-term financial goals are and how to put the necessary pension plans in place. Through early action and with the right preparation, that hoped-for retirement can be achieved.**

Several years ago, a study published in the Journal of Marketing Research explored the reasons why Americans were failing to save enough for retirement. The study concluded that, aside from the financial barriers they face, it was because they felt disconnected from the individuals they would be in the future.[1]

The report suggests that, to those estranged from their future selves, saving for retirement is like a choice between spending money today or giving it to a stranger years from now. "At the extreme, with a total lack of psychological connectedness, one's future self might seem like a different person altogether," it says.

Laura Carstensen, co-researcher and founding director of the Stanford Center on Longevity, recruited undergraduates to take part in the study. "I ask the students to envision themselves at age 30 and they can do that very easily – they imagine themselves as today only with more money and nicer cars," she says.

But when she asks them to conceive a much older version of themselves, they find it much harder. "At 70 or 80 there's no image at all – they can't picture themselves at that point in life."

This disconnect perhaps goes some way to explain why, in the UK, only 35% of 25–34-year-olds have thought about how many years of retirement they might need to fund. Just over half of those aged 35–44 have done so;[2] which is still a worryingly low proportion, given that retirement is a less distant proposition.

A lack of forward planning is especially concerning, given longevity estimates. Today, a 65-year-old male can expect to live for another 18.5 years and a 65-year-old woman 20.9 years.[3] Given that younger generations are expected to live for longer, a significant portion could find their retirement savings stretched to breaking point. The quarter of working-age adults who expect to retire earlier than 65[4] will need to save even harder.

To achieve a comfortable retirement, a leading think tank suggests that those of working age put aside 18% of their income each year.[5] This is well above the average, and much higher than the 5% minimum total pension contribution that will be required from April 2018 under the government's automatic enrolment rules.

Saving enough for retirement can often seem impossible to those burdened with student debt, especially in light of the problem of lower incomes failing to rise in line with the cost of living. However, research suggests that, with the right interventions, there is scope to change behaviour.

*The value of an investment with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.*

## Meet your future self

Researchers at the Stanford Center on Longevity hypothesised that if people could be made to feel more connected with a vividly imagined future self, they should be motivated to save more.

They conducted an experiment that allowed some participants to interact with a virtual reality representation of their body and face as it will approximately look in the future, complete with wrinkles, jowls and grey hair.

Study participants were then asked a series of questions about finances and retirement. Those who had seen their older selves answered that they were willing to put more money into long-term savings than those in the control group.

"Students who had interacted with their older avatars allocated twice as much money to their retirement savings as those students who had interacted with an avatar the same age as they are today," says Carstensen.

The study makes for fascinating reading and represents the first demonstration of an intervention in which people can be encouraged to make more future-oriented choices.

Carstensen hopes that a cultural shift towards long-term thinking would make our future selves much happier. "When people can really connect to themselves and say, 'That person at 70 – that's me' – actually, they tend to want to take care of that person more."

[1] H. Ersner-Hershfield, J.N. Bailenson and L.L. Carstensen, *Feeling more connected to your future self: Using immersive virtual reality to increase retirement saving*, May 2008. [2, 4] Office for National Statistics, Early indicator estimates from the Wealth and Assets Survey: attitudes towards saving for retirement, credit commitments and debt burden, July 2016 to Dec 2016, June 2017 [3] Office for National Statistics, National Life Tables: United Kingdom, September 2016. [5] International Longevity Centre – UK, The Global Savings Gap, June 2017.

Hope and Homes for Children

# All For A Good Cause

The St. James's Place Charitable Foundation has celebrated its 25th anniversary year in style, having raised more than £60 million since its launch in 1992, and close to £3 million awarded as grants to UK and overseas charities so far this year. We take a look at how and why the Foundation – the charitable arm of St. James's Place plc – has made such a difference to people's lives. And why it is regarded as one of Britain's best and most successful company giving schemes.

Giving something back to the people who need it most has been the main objective of St. James's Place since the company began trading, as J. Rothschild Assurance, back in 1992. The founding directors – Mike Wilson CBE, Sir Mark Weinberg and Lord Rothschild – held the simple belief that those of us who are more fortunate should give to those who have less, or who suffer in some way. And in their first year, they, as a company, managed to raise a very respectable £17,000, which they committed to good causes. (*You can read more about the early work of the directors in our interview with current Chief Executive Officer David Bellamy on page 14.*)

Since then, annual funds raised for charitable purposes have grown and grown… to an extent that, in 2011, the Government held up the St. James's Place Foundation (as it was titled then) as a shining example of what can be achieved through payroll giving in its 'Giving White Paper'.

Reaching a milestone million in 2001, the fantastic work has continued its upward curve, and in 2017 – the Foundation's 25th anniversary – an incredible £60 million grand total has been raised and distributed to hundreds of UK and overseas charities. By the end of this year, we expect the annual amount raised to have reached a record sum, as St. James's Place, the company, has pledged to "double match" every £1 raised with an extra £2 throughout the year, meaning £3 will be donated for every £1 Willson Grange (and other Partner Practices and employees of St. James's Place) donates. *Aspire* looks forward to reporting more on this in the New Year.

## HOPE AND HOMES FOR CHILDREN

Since it started in 1992, the St. James's Place Charitable Foundation has aimed to make a positive and lasting change to the lives of children and young people. Around 80% of the Foundation's grants go to UK charities. However, approximately 20% is committed to overseas programmes and projects, especially those that help children and young people to escape poverty, malnutrition and neglect.

In the Millennium year, the Foundation made its first grant to Hope and Homes for Children, marking the beginning of a long-term relationship that continues to this day. The donations have made a significant impact in the charity's work with children affected by war or disaster in Eastern Europe and Africa, helping children out of institutions such as orphanages and into loving family homes.

By closing institutions, supporting children into stable families and working with governments to tackle the root causes of family breakdown, Hope and Homes for Children is working towards a day where orphanages have been eradicated for good.

● **In 2015, £600,000 was pledged to this very worthy charity over a period of three years.**

## SO HOW DOES IT WORK, AND WHO BENEFITS?

Every year, Partner Practices like Willson Grange Limited, as part of the "St. James's Place community", donate money to the Charitable Foundation. This is usually done through regular monthly donations from their earnings, however many, like ours, will often organise or take part in extra fundraising events or give one-off extra donations. Willson Grange is active in each of these areas of giving, while our Financial Adviser David Forster has for many years been an active participant in the

Thanks to support from the St. James's Place Charitable Foundation, Panathlon has been established as the UK's main provider of sporting opportunities for disabled youngsters

A major grant, spread across three years from 2015, was made to the Variety Club to fund 20 minibuses throughout the UK. The donation has allowed them to help promote and provide more care in the upbringing of sick, disabled and disadvantaged children within the UK; it has also allowed the continued advancement of education and relief of financial need to children within the UK


Foundation's sponsored sporting events.

"With St. James's Place matching every £1 we raise with an extra £1 (£2 throughout 2017), some very significant sums have been channelled through to hundreds of amazing causes both close to home and around the world," says David.

Generally, grants are given to charities whose work stretches across three main themes (the themes are chosen through company-wide surveys):

**1) Cherishing children.** This remains the main focus area for the Foundation's work. Grants are given to charities working to support young people with physical or mental health difficulties or life-threatening/degenerative conditions, young carers and young people who are socially or economically disadvantaged.

**2) Combating cancer.** Grants are given to charities working with cancer patients of all ages, helping to increase their quality of life. In 2014, a staggering £388,000 was raised in ONE DAY for the Teenage Cancer Trust, when 19-year-old Stephen Sutton, who had incurable cancer, addressed an audience of 4,000 at the St. James's Place annual company meeting.

**3) Supporting hospices.** Grants are given to charities offering innovative and effective support services to help improve the quality of life for people with life-limiting or terminal illness. Our support also helps the continued improvement of end-of-life care.

Occasionally, the Foundation also decides to broaden its remit to include communities or age groups in particular need. In 2012, for example, it launched the national Sport For Good programme – an initiative "harnessing the power of sport" to reach into the lives of young people in areas of high deprivation or strategic need. Panathlon (*pictured above*) and School of Hard Knocks (a mentoring scheme to help students to stay in mainstream education) fit into this particular theme.

Support for returning service personnel and their family members also became an area of special interest to the community back in 2009, since when grants have been given to charities including The Warrior Programme, which helps veterans struggling the hardest to come to terms with civilian life.

Most recently, in 2017, the Foundation chose to help people with mental health issues, committing up to £800,000 to projects aimed at improving the lives of people of all ages.

## LATEST MAJOR AWARDS…

**… £98,460** granted to SOHK (School of Hard Knocks) – mentoring project to helping disengaged and excluded secondary school students in South Wales. *www.schoolof hardknocks.org.uk*

**… £165,130** granted to Place2Be – London-based national charity providing emotional support to children in schools. *www.place2be.org.uk*

**… £132,012** granted to Jessie May Trust – Bristol-based charity providing nursing care at home for children and young people with life-limiting conditions. *www.jessiemay.org.uk*

**… £100,000** raised for CLAN Cancer Support – providing emotional and practical support to people affected by cancer. *www.clanhouse.org*

## URGENT ACTION

The St. James's Place Charitable Foundation is also ready to respond to emergencies and disasters, offering help to those affected by catastrophes or life-changing events.

Since 2012, Foundation fundraisers have been transforming young lives in Nepal with the launch of a volunteer-led charity, 'Supporting Nepal's Children'. When a devastating earthquake shook the Himalayan country in 2015, the team was determined to play an active role. This year, the charity began a fundraising and rebuilding initiative called 'Build and Trek'. Participants have taken on a personal challenge to raise a minimum of £6,000 to pay for the rebuilding of a school. They are now planning to go out to Nepal to shift stone, mix cement and help local builders.

● The news in recent months has also been plagued with reports of devastating scenes in Eastern Africa. Drought and conflict have left 16 million people on the brink of starvation and in urgent need of food, water and medical treatment. The Foundation sent out an urgent appeal in March and received an overwhelming response – £32,000 (including single matching) was raised for the East African Crisis Appeal for the Disaster's Emergency Committee, who are working in the worst-affected areas.

### Extra help…

● The St. James's Place community raised a fantastic £37,630 (including single matching) in response to the devastating fire at Grenfell Tower in London on 14 June. This has been donated to the British Red Cross appeal, the London Fire Relief Fund.

● An impressive £25,555 (including single matching) was raised in response to an appeal following the Manchester Arena terror attack.

# Giving it Away

Financial giving can be as rewarding as giving a Christmas or birthday gift – and longer-lasting too. 'Lifetime gifting' is an especially good way of saving children and grandchildren a significant Inheritance Tax bill in the future.

If you're in the fortunate enough position to have a little nest-egg built up over the years and would love to see your money enjoyed by the people who mean the most to you, then 'lifetime gifting' could be a very satisfying, not to mention sensible, move.

Giving your wealth away during your lifetime can reduce future Inheritance Tax (IHT) liability. In fact, for every £10,000 you can move out of your estate while you're still alive, you'll save your loved ones up to £4,000 in tax.

So how can you give such a thoughtful and tax-efficient gift?

One of the most effective ways is to know your allowances and take advantage of them every year. For example, you can make an annual gift of up to £3,000, which can be divided up into any number of smaller gifts.

You can also make use of any unused gifting allowance from the previous tax year, so with £6,000 available to gift from two tax years, a couple could potentially remove £12,000 from their joint estate immediately.

Or how about these gift-wrapped ideas for the special people in your life?

## A WEDDING ON THE CARDS?

You can make wedding gifts of between £1,000 and £5,000 depending on your relationship to the bride and groom. Be sure to keep records so your executors can prove you used the allowances. Completing a form IHT403 every year is a good way to do this.

## FUTURE INVESTMENTS

Saving into a tax-efficient investment on behalf of a grandchild can help them with university costs, buying a house or saving for a pension. By contributing to an investment such as a Junior ISA (perhaps topped up every birthday – see page 10 of this issue of *Aspire*), you can reduce your IHT liability while helping them prepare for their future. If the gift is regular and from taxed income, it will enjoy the 'gifts from income' exemption.

## A HOME OF THEIR OWN

The average first-time buyer now needs an average £32,899[1] deposit for a house (equating to 16% of purchase price), according to the Halifax, so helping a child or grandchild onto the property ladder will be much appreciated. And if they're living with you to help them save for a deposit, it could help you to get your home back!

## A TREASURED KEEPSAKE

Rather than hand over cash, you could give away valuables such as antiques, art or jewellery. If you leave them in your Will, their value will form part of your estate so why not give them away now, during your lifetime? (For IHT purposes, this is generally seven years or more before you die) and, at the same time as reducing a future liability, you'll have the pleasure of seeing someone else enjoying your treasures as well.

## PENSION PRESENTS

To enjoy the most generous of tax breaks, think about paying into someone else's pension for them. If, for instance, you pay contributions of £2,880 a year into a child's pension, this is grossed up to £3,600 by the current basic rate tax relief*, even if the child is not working. Over just five years, you could give away £14,400 and with tax relief, the child would benefit by contributions of £18,000.

This is considerably more tax-efficient than leaving the £14,000 in your estate where, with IHT, it would promptly become £8,640! The money also stays put until the child is at least 55, so it can't be frittered away, and has time to grow.

*The value of an investment with St. James's Place will be directly linked to the performance of the funds you select and the value can therefore go down as well as up. You may get back less than you invested.*

*The levels and bases of taxation, and reliefs from taxation, can change at any time. The value of any tax relief generally depends on individual circumstances.*

### *Pension tax relief

News has just reached us that the long-anticipated reforms to pension tax relief have been shelved – once again – by the Chancellor, for another year at least. November's Autumn Budget revealed no immediate plans to change the pension tax system, which is widely held to be unequal since it gives more favourable relief to higher earners.

Under the current system, relief is linked to the income tax rate of a saver, meaning basic rate taxpayers are given relief at 20% and higher rate taxpayers are able to claim a further 20% back via their annual tax return.

The news of no change will of course be welcomed by some, but the speculation is sure to continue as this complex system awaits inevitable reform. However, nothing doing for now.

■ Willson Grange is a Principal Partner Practice of, and represents only, St. James's Place Wealth Management plc (which is authorised and regulated by the Financial Conduct Authority) for the purpose of advising solely on the Group's wealth management products and services, more details of which are set out on the Group's website at www.sjp.co.uk/products.

■ The title `Partner Practice' is the marketing term used to describe St. James's Place representatives.

Willson Grange Limited, 3-4 The Quadrant, Hoylake, Wirral CH47 2EE
Tel: 0151 632 7100
Fax: 0151 632 7101
Email: info@wgcfp.co.uk

WILLSON GRANGE LIMITED
CHARTERED FINANCIAL PLANNERS

[1] Halifax First-Time Buyers Review June 2017

ASPIRE is published for Willson Grange Limited Chartered Financial Planners by Text in the City, 0151 208 5562.
Written and produced by Carol Tinsley. Designed by Heather Reeves. Printed by LT Print Ltd.