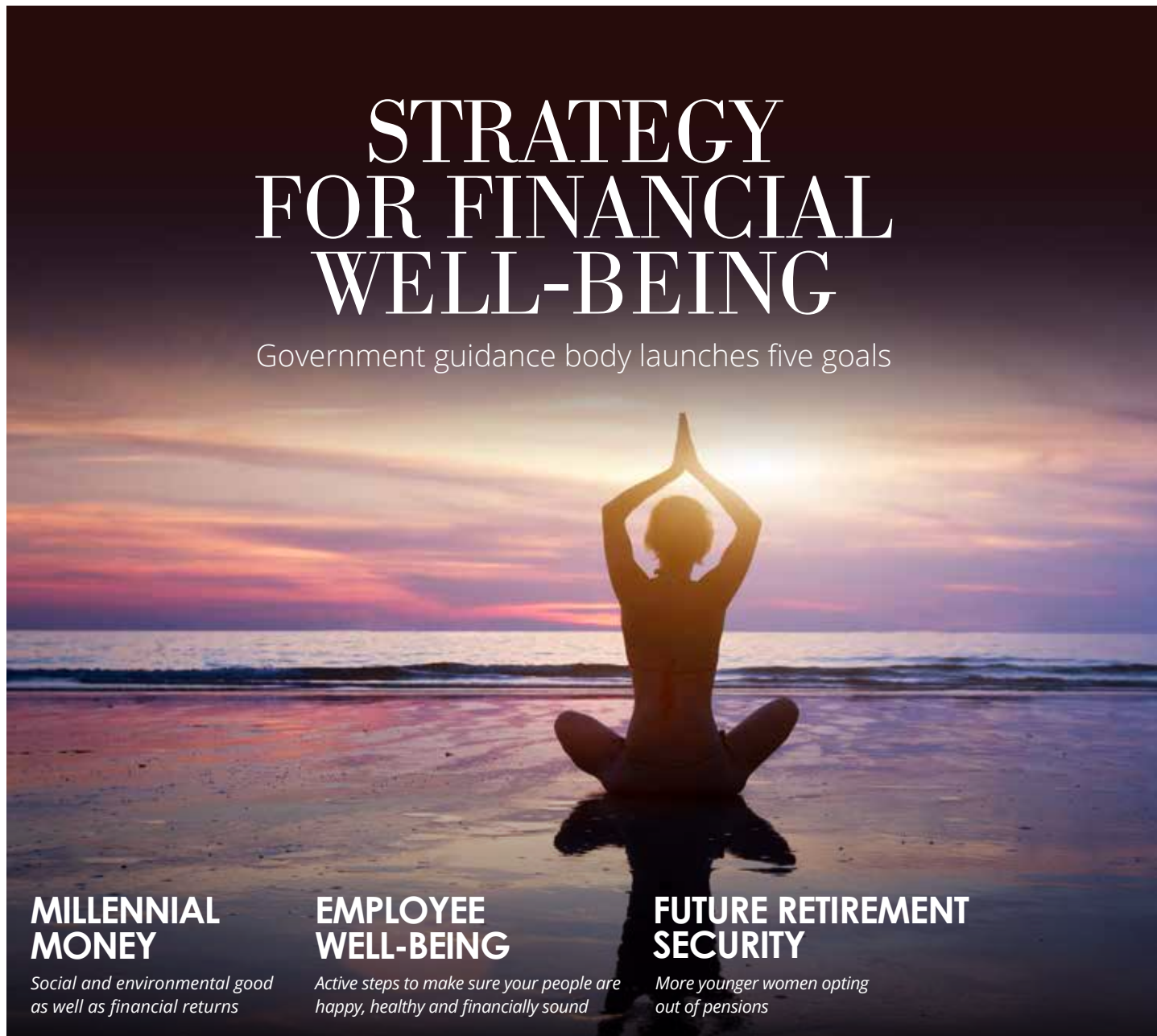


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FINANCIAL

STRATEGY FOR FINANCIAL WELL-BEING

Government guidance body launches five goals



MILLENNIAL MONEY

Social and environmental good as well as financial returns

EMPLOYEE WELL-BEING

Active steps to make sure your people are happy, healthy and financially sound

FUTURE RETIREMENT SECURITY

More younger women opting out of pensions

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FUTURE RETIREMENT SECURITY

More younger women opting out of pensions

YOUNG WOMEN ARE PUTTING THEIR FUTURE RETIREMENT SECURITY AT RISK BY OPTING OUT OF THEIR WORKPLACE PENSION^[1].

The analysis shows a worrying spike in opt-outs, with 10.5% of women aged 22–29 opting out of their workplace pension. This compares to 8.1% of men in the same age group.

SIGNIFICANT CHALLENGES IN SAVING FOR RETIREMENT

Women in their 20s and 30s face significant challenges in saving for retirement. Many leave the workforce to look after children and often only return to work on a part-time basis. Added to this is managing the high cost of childcare, which means many women don't feel they can afford to save for retirement.

While the difference between male and female opt-outs is stark in the 20–29 age group, it evens out from the age of 30. After the age of 60, the picture changes again with significantly more men than women opting out^[2].

LEADING TO GREATER FINANCIAL PROBLEMS IN THE FUTURE

The data highlights a spike in women opting out of pension saving in their 20s and 30s, most likely as they face other commitments such as childcare or saving for a house. While this may seem like a good idea for them in the short term to fund other priorities, opting out of a pension will only lead to greater financial problems in the future.

Getting back into the habit of saving for later life may be difficult for some women if they have missed significant contributions. ■

Source data:

[1] In September 2019, Royal London highlighted the over-60s are throwing away up to £1.75 billion in retirement by opting out of pension saving: www.royallondon.com/media/press-releases/2019/september/over-60s-throwing-away-up-to-1.75bn-in-retirement-savings-by-opting-out-of-pensions/
[2] Table of Auto-Enrolment opt-out rates by gender.

BUILDING A RETIREMENT PLAN THAT YOU FEEL AT EASE WITH

We can advise on your retirement planning, whether you are in the process of building your pension pot or getting back into work. There are often a number of choices available, and we can discuss each option. The goal is to build a retirement plan that you feel at ease with and that will give you a comfortable retirement. Contact us to find out more.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE.

YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

| AE OPT OUT RATES | GENDER | |
|------------------|--------|------|
| | WOMEN | MEN |
| 16-21 | 3.1 | 2 |
| 22-29 | 10.6 | 8.1 |
| 30-39 | 8.6 | 8.2 |
| 40-49 | 7.9 | 7.9 |
| 50-59 | 11.4 | 11.1 |
| 60+ | 29.2 | 31.6 |

TOP 4 TIPS FOR GOOD TAX PLANNING

What should I consider before the end of this tax year?

THE END OF THE 2019/20 TAX YEAR IS FAST APPROACHING, AND THERE ARE A NUMBER OF VALUABLE ALLOWANCES AND RELIEFS THAT WILL BE LOST IF THEY ARE NOT USED BEFORE THE DEADLINE.

These opportunities include, but are not limited to, four important areas of tax planning. We've summarised these allowances below and suggest that if appropriate to your particular situation, these areas should be reviewed before 5 April 2020.

1. TAKE YOUR ISA CONTRIBUTIONS TO THE MAX

The term 'ISA' stands for 'Individual Savings Account', which allows you to save tax-efficiently into a cash savings or investment account. With a Cash ISA or a Stocks & Shares ISA (or a combination of the two), you can save or invest up to £20,000 a year tax-efficiently. Your ISA allowance doesn't roll over into a subsequent tax year, so if you don't use it, you'll lose out forever.

If you are in a position to, it may make sense for you and your spouse to take advantage of each other's ISA allowance, particularly if one of you has more financial resources than the other. That way, you can save (in the case of Cash ISAs) or invest (in the case of Stocks & Shares ISAs) up to £40,000 tax-efficiently in the current tax year.

Also, 16 and 17-year-olds actually have two ISA allowances, as they're able to open a Junior ISA (once they have transferred their Child Trust Fund [CTF] to their Junior ISA and closed the CTF), which for 2019/20 has a

limit of £4,368, as well as an adult Cash ISA. This means that you could put away up to £24,368 in your child's name tax-efficiently this tax year.

People aged 18–39 can open a Lifetime ISA, which entitles them to save up to £4,000 tax-efficiently a year until they're 50. The Government will top up the savings by 25%, up to a maximum of £1,000 a year.

Viewing your and your spouse's allowances as one will allow you to make the most of these tax advantages.

The value of investments can fall as well as rise. You may not get back what you invest.

2. MAKE THE MOST OF YOUR PENSION TAX RELIEFS

Now is also the time to check you are taking full advantage of your pension tax reliefs and allowances. Normally, between you and your employer, you can contribute a maximum of £40,000 into your pension in a tax year (this is called your 'annual allowance') before it becomes subject to Income Tax. It's important not to exceed this limit – which is set at either 100% of your salary or £40,000 (whichever is lower). However, for high earners with a taxable income of more than £150,000 per year, this is tapered downwards.

If you don't manage to make full use of your £40,000 pensions annual allowance this tax year,

you can carry it forward for up to three years. For example, in the current 2019/20 tax year, you could carry forward unused contributions from 2016/17, 2017/18 and 2018/19, but the clock re-starts on 6 April this year.

You could get some of your allowance back by increasing your pension contributions, as the income on your tax return will be lower to take your extra pension contributions into account.

You can also increase your basic State Pension by making voluntary Class 3 National Insurance Contributions (NICs).

3. TACKLE THE ONGOING ISSUE OF INHERITANCE TAX

Inheritance Tax (IHT) is usually payable at 40% on the portion of an estate that exceeds the £325,000 nil-rate band (NRB). Like the NRB, the unused percentage of the residence nil-rate band (RNRB) can be transferred between spouses and registered civil partners.

The RNRB is on top of the NRB, allowing individuals to pass on a qualifying residential property to their direct descendants. The maximum RNRB is £150,000 this year, and next year a couple will be able to combine their NRB and RNRB allowances to pass on property worth £1 million free of IHT. The RNRB is reduced by £1 for every £2 that the value of the net estate exceeds £2 million.



You can act at any time to help reduce potential IHT. However, gifting money is an area that is subject to an annual limit, which runs from the start of the tax year, and could be worth adding to your year-end to-do list. Tax exemptions released through gifting should form a key part of IHT planning.

The annual allowance means you can gift up to £3,000 each year, exempt from IHT – so as a couple, you can make £6,000 worth of gifts. It can also be carried forward for one year.

You can give as many gifts of up to £250 to as many people as you like – that is, unless the person has already received a gift equating to the annual £3,000 exemption. Some types of gifts, such as wedding gifts or gifts to help with living costs, can also be given tax-free.

However, another factor to consider is the legislation around IHT, which could be subject to change in the near future. The Office of Tax Simplification is currently undertaking a significant review that could inform forthcoming policy decisions, so this year – before any changes come into force – reviewing your IHT plans, including gifting, should be a priority.

This is a complex area with qualifying conditions and requires expert estate planning advice.

4. PLAN TO REDUCE A CAPITAL GAINS TAX BILL

Capital Gains Tax (CGT) is a tax on the profits you make when you sell something such as an investment portfolio or a second property. Everyone has an annual allowance of £12,000 (in 2019/20) before CGT applies.

The allowance is for individuals, so couples have a joint allowance for 2019/20 of £24,000. If appropriate to your particular situation, it might be worth considering transferring an asset into your joint names so you both stay within your individual allowances.

Any gains in excess of the allowance are charged to CGT at either 18% (basic-rate taxpayers) or 28% (higher-rate taxpayers), depending on the individual's other total taxable income in the year the gain arises.

An important thing to remember with this aspect of taxation is that any losses you make on sales can be offset against your capital gains for CGT purposes.

Currently, CGT on the sale of a residential property, other than your main residence, is payable under self-assessment and will not be due until 31 January following the end of the tax year. This will change with effect from 6 April 2020, when payment of CGT from the sale of such a residential property will be required within 30 days of the date of sale/completion. ■

MAKE SURE YOU DON'T MISS THE DEADLINE TO CLAIM IMPORTANT ALLOWANCES AND RELIEFS

With less than two months remaining in the current 2019/20 tax year, UK-resident individuals should turn their attention to any pre-emptive steps which may be taken by 5 April 2020 in order to optimise their tax position. Personal tax planning can be complex. You should always seek professional advice when undertaking a review to ensure all changes are processed and managed effectively. To discuss your position, please contact us.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE, AND THEIR VALUE DEPENDS ON YOUR INDIVIDUAL CIRCUMSTANCES.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

MILLENNIAL MONEY

Social and environmental good as well as financial returns

BUILDING WEALTH FOR THE FUTURE IS IMPORTANT, BUT INCREASINGLY PEOPLE WANT THEIR INVESTMENTS TO DO MORE THAN MAKE MONEY. INVESTING ETHICALLY MEANS DIFFERENT THINGS TO DIFFERENT PEOPLE.

According to a new global survey^[1], almost eight out of 10 millennials now prioritise socially responsible and impactful investing. Environmental, social and governance issues are now their top priority. They understand that it is perfectly possible – and increasingly necessary – to make a profit while positively and proactively protecting people and the planet.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Some 77% of millennials – people who were born in the time period ranging from the early 1980s to the mid-1990s and early 2000s – cite Environmental, Social and Governance (ESG) investing as their top priority when considering investment opportunities.

To understand the matters that millennials deem deserving of their investment, let's consider what the ESG acronym stands for. The 'E' is for 'environment' and includes issues such as climate change policies, carbon footprint and use of renewable energies. 'S' is for 'social' and includes workers' rights and protections. 'G' is for 'governance' and includes executive compensations, diversity of the board and corporate transparency.

PROGRESSIVE AND FORWARD-LOOKING INVESTMENT DECISIONS

This survey underscores that while traditional factors – such as anticipated returns (10%), past performance (7%), risk tolerance (4%) and tactical allocation (2%) – are important factors in millennial respondents' investment decision-making, they are no longer enough.

The findings highlight that ESG considerations now sit at the heart of that process. It's millennials today who appear to be leading the charge in socially responsible and impactful investing. They are keen to look for investment solutions that are progressive and forward-looking.

INVESTING IN SUSTAINABLE, IMPACTFUL BUSINESS MODELS

A study by Morgan Stanley^[2], which evaluated more than 10,000 funds and managed accounts, shows that investing in sustainability has usually met, and often exceeded, the performance of comparable traditional investments. This is on both an absolute and a risk-adjusted basis, across asset classes and over time.

Additionally, according to the study, when compared with non-millennial investors, millennials are incorporating sustainability not only into investment decisions but overall consumer behaviour, with millennials achieving greater integration of their money and values by seeking personal



fulfilment in their careers, applying a global consciousness to purchases, and investing in sustainable, impactful business models.

RESPONSIBLE INVESTING INCREASINGLY BECOMING MAINSTREAM

As responsible investing becomes increasingly mainstream, and millennials become the major beneficiaries of the transfer of wealth, we can also expect institutional investors (such as pension funds, amongst others) to broaden their exposure to ESG over the next few years, with wealth and asset managers seeing a significant influx of investor funds flowing into sustainable investments.

Much has been made of the demographic changes underfoot in each generation, but none more so than that of millennials, who are far from being old enough to retire but have reached working age. They not only have a major influence on consumer trends, particularly in the digital arena, but also disposable incomes that will grow with age and look set to have

their own demands and characteristics in terms of financial services. ■

Source data:

[1] Global poll of 1,125 people was carried out by deVere Group 2 January 2020

[2] Sustainable Signals: The Individual Investor Perspective – Morgan Stanley – https://www.morganstanley.com/sustainableinvesting/pdf/Sustainable_Signals.pdf, accessed 1 June 2016

MEETING YOUR INVESTMENT GOALS

Interested in finding out more? You might be thinking about investing with a specific goal in mind, or you may just be aiming for a more financially secure future. Speak to us about how we can help.

THE TAX BENEFITS RELATING TO INVESTMENTS MAY NOT BE MAINTAINED.

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

STRATEGY FOR FINANCIAL WELL-BEING

Government guidance body launches five goals

A NEW UK-WIDE STRATEGY TO TRANSFORM THE COUNTRY'S FINANCIAL WELL-BEING IN A DECADE HAS BEEN LAUNCHED BY THE MONEY AND PENSIONS SERVICE (MAPS) UNDER ITS GOVERNMENT MANDATE.

The UK Strategy for Financial Well-being sets out a ten-year vision to improve millions of lives and includes five priority areas to help people make the most of their money and pensions. The strategy is aimed at transforming the lives of many individuals, benefitting communities, businesses, the economy and wider society.

The UK Strategy for Financial Well-being establishes five 'agendas for change' and sets goals to be achieved by 2030. These are:

- Financial Foundations: 6.8 million children and young people getting a meaningful financial education – an increase of 2 million from 2019^[1]
- Nation of Savers: 16.7 million working age people who are struggling^[2] and squeezed^[3] saving regularly – an increase of 2 million
- Credit Counts: 2 million fewer people often using credit to pay for food or bills

- Better Debt Advice: 2 million more people getting the debt advice they need; currently only 32% of those who need debt advice access it
- Future Focus: 28.6 million people understanding enough to plan for their later lives, and during them – an increase of 5 million

SUSCEPTIBLE TO FINANCIAL DETRIMENT

The strategy will also examine factors which can make people particularly susceptible to financial detriment, such as mental health conditions and gender. It will be delivered in collaboration with a broad range of organisations and experts from all sectors.

WHAT IS FINANCIAL WELL-BEING?

Financial well-being is about feeling secure and in control. It is knowing that you can pay the bills today, can deal with the unexpected tomorrow and be on track for a

healthy financial future. People should feel confident and empowered.

WHY IS A UK STRATEGY NEEDED?

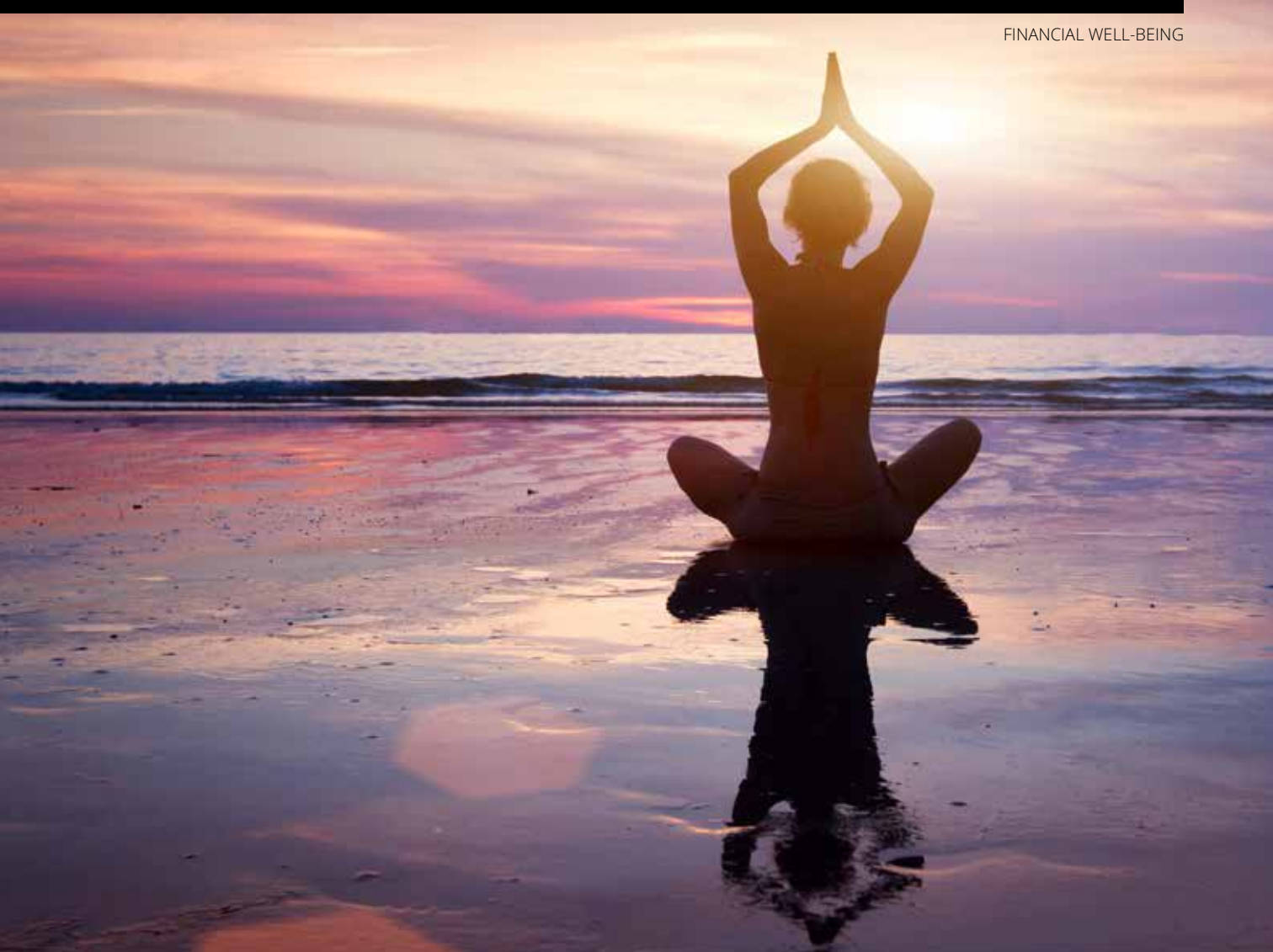
Poor financial well-being has knock-on effects for our mental health, physical health and relationships.

We know that:

- 11.5 million people have less than £100 in savings to fall back on
- 9 million people often use credit to pay for food or essential bills
- 22 million people say they don't know enough to plan for their retirement
- 5.3 million children aren't getting a meaningful financial education

INVESTING MONEY FOR RETIREMENT

People who enjoy good financial well-being are more productive at work, and businesses also benefit from having



customers who can afford to keep up with bills and payments. Individuals and the wider economy benefit from people being able to invest money for retirement.

Over the first half of 2020, MaPS will work with leaders and experts from across the public, private and voluntary sectors to set out clear delivery plans to achieve the five goals, with specific plans for England, Scotland, Wales and Northern Ireland.

Following this mobilisation phase, MaPS will develop its own corporate strategy which will define how the organisation will activate the UK Strategy and continue to deliver on essential money and pensions guidance and services to its customers. ■

ARE YOU ARE CLEAR ABOUT YOUR FINANCIAL PRIORITIES?

Professionals, business owners, individuals and families rely on our high-quality financial advice and investment services to preserve and grow their long-term savings and investments. To discuss your situation, please speak to us.

Source data:

[1] 2018 Financial Capability Survey, Money and Pensions Service.

[2] MaPS defines those who are 'struggling' as people who find it hard to keep up with bills and payments and to build any form of savings buffer. They are the least financially resilient segment and the most likely to be over-indebted.

[3] Those who are 'squeezed' are working-age consumers with significant financial commitments but relatively little provision for coping with income shocks. They are digitally savvy and have high media consumption, but this is more for entertainment than financial information. This is based on the Money Advice Service Target Market Segmentation.

EMPLOYEE WELL-BEING

Active steps to make sure your people are happy, healthy and financially sound

EMPLOYEE HEALTH AND WELL-BEING IS HIGH ON MANY BUSINESSES'

AGENDAS AND IS NO LONGER MERELY AN AFTERTHOUGHT WHEN ADDRESSING SICKNESS ABSENCE. THERE IS AN OBVIOUS LINK BETWEEN A HAPPY, HEALTHY WORKFORCE AND IMPROVED PRODUCTIVITY.

The aim should be to reduce direct healthcare costs, build and sustain high employee morale, drive effective recruitment and retention, improve productivity, and reduce the damaging trend of presenteeism.

PHYSICAL WELL-BEING OF STAFF

But research from GRiD^[1], the industry body for the group risk industry, shows that 34% of employers don't offer any support for the physical well-being of staff. Changes to lifestyle can reduce the risk of cancer^[2], so support for physical well-being can be an important way for employers to help their staff in terms of prevention.

Furthermore, only one in five (20%) employers offer initiatives to encourage staff to be more active to improve their health, and only 14% offer training on specific areas such as smoking-cessation, nutrition, fitness and lifestyle.

INTEGRAL TO FULL HOLISTIC SUPPORT

Supporting the physical well-being of staff is integral to full, holistic support of staff, and

there are many ways that employers can do this, from encouraging lunchtime walks and standing meetings to providing access to specialists to advise on nutrition and health.

The options available for employers to support the physical well-being of staff are constantly being developed. Support for physical health isn't just about treatment but about prevention and early intervention too, and it's important that all are considered when employers are looking at how to support staff best.

EARLY INVOLVEMENT IN ABSENCE

Some illnesses will result in long-term absence. The cost of sickness absence is often high up the list of organisational concerns for an employer, so early involvement in absence and maximising rehabilitation support is prudent.

Cancer is a leading cause of claim^[3] across all group risk products (employer-sponsored life assurance, income protection and critical illness), so we know just how much cancer affects employees and their companies. ■

Source data:

[1] Research undertaken by Opinium on behalf of GRiD amongst 500 HR Decision makers between 4 and 18 March 2019.

[2] www.macmillan.org.uk/information-and-support/diagnosing/causes-and-risk-factors/potential-causes-of-cancer/age-lifestyle-diet-reducing-risk.html

[3] GRiD 2019 Claims Survey

INVESTMENT IN EMPLOYEE WELL-BEING SHOULD BE HIGH ON ANY COMPANY'S PRIORITIES

The financial support offered is important at a time when people need it most, but it's important that all the other support – both in terms of prevention and early intervention – are not overlooked: they play an incredibly important part in employers looking after the health and well-being of their staff. If you're a business owner and would like to discuss this further, please contact us to assess your options.