



THORNTONS WEALTH

WHAT DOES INFLATION MEAN FOR ME AND MY MONEY?

How to protect and grow your wealth over time



HOW MUCH WILL YOU NEED TO RETIRE?

Quarter of savers approaching retirement at risk of not having an 'adequate pension'

WEALTH VS HEALTH

More than half ignore medical advice and work despite poor health due to financial worries

RECESSION-PROOF YOUR FINANCES

10 practical steps to ensure your money is working hard for you

Thorntons Wealth

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Thorntons Wealth is a trading name of Thorntons Investment Management Limited (SC438886) and Matheson Financial Consulting Ltd (SC241755). Both companies are registered in Scotland and the registered address is Whitehall House, 35 Yeaman Shore, Dundee DD1 4BU. They are authorised and regulated by the Financial Conduct Authority.



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WELCOME TO THE LATEST ISSUE OF THORNTONS WEALTH MAGAZINE.

Welcome to the August 2022 issue of Thorntons Wealth's monthly e-zine newsletter.

In this issue, inflation is one of the most important factors that savers and investors must take into account when making decisions about their money. Although inflation can eat away at the purchasing power of your savings, it can also create opportunities for profit if you invest in assets that are expected to increase in value faster than prices overall. By understanding how it works and its potential impact on your finances, you can make more informed choices about how to protect and grow your wealth over time.

In these uncertain times, it's more important than ever to make sure your finances are in order. The Bank of England believes that a painful squeeze on our living standards, driven primarily by soaring energy prices, is set to intensify and will push the UK economy into recession later this year. Making your finances recession-proof is all about taking practical steps to ensure your money is working hard for you. It is vital to be completely honest with yourself about your financial situation.

When you are off work due to an illness or injury, worries about how you are going to pay your bills can make an already stressful situation worse. Money worries see six in ten people go to work when they are ill, with one in three ignoring their doctor's advice due to financial concerns, even when they are worried about serious illness, according to new research

One of the biggest mistakes you can make is not saving enough for your retirement. This can leave you struggling to make ends meet in your later years, and may even force you to rely on others for financial support. It's never too early to start saving, and the

sooner you start, the better off you'll be. The question of whether or not you are saving enough for your retirement is a difficult one to answer.

Having a baby is one of the most exciting, life-changing events that you'll ever experience. But along with the joy and happiness that comes with starting a family, there is also the reality of the added costs. On average in 2021, the total cost of raising a child to the age of 18 now stands at £160,692 for a couple and £193,801 for a lone parent. Fortunately, there are ways to ease the financial burden and protect your new family.

We hope you enjoy this issue and find the articles featured an interesting read.

You can also forward this e-zine newsletter to someone else you know that would like to receive a complimentary copy. ■

Best Wishes,
Thorntons Wealth

The content of the articles featured in this publication is for your general information and use only and is not intended to address your particular requirements. Articles should not be relied upon in their entirety and shall not be deemed to be, or constitute, advice. Although endeavours have been made to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No individual or company should act upon such information without receiving appropriate professional advice after a thorough examination of their particular situation. We cannot accept responsibility for any loss as a result of acts or omissions taken in respect of any articles. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts. Levels and bases of, and reliefs from, taxation are subject to change, and their value depends on the individual circumstances of the investor. The value of your investments can go down as well as up, and you may get back less than you invested. Past performance is not a reliable indicator of future results.

A romantic couple is shown from behind, embracing on the deck of a boat. The man is wearing a white shirt and has his arms around the woman, who is also in a white shirt. They are looking out at the ocean under a warm, golden sunset sky. The water is calm with gentle ripples.

WHAT DOES INFLATION MEAN FOR ME AND MY MONEY?

How to protect and grow your wealth over time

INFLATION IS ONE OF THE MOST IMPORTANT FACTORS THAT SAVERS AND INVESTORS MUST TAKE INTO ACCOUNT WHEN MAKING DECISIONS ABOUT THEIR MONEY. ALTHOUGH INFLATION CAN EAT AWAY AT THE PURCHASING POWER OF YOUR SAVINGS, IT CAN ALSO CREATE OPPORTUNITIES FOR PROFIT IF YOU INVEST IN ASSETS THAT ARE EXPECTED TO INCREASE IN VALUE FASTER THAN PRICES OVERALL.

After years of very low and steady inflation, prices are currently moving higher rapidly. In the UK, this is most obvious in the rising cost of energy, fuel and food. And because of the crisis in Ukraine, it doesn't look like inflationary pressures will ease any time soon.

Inflation is thus a crucial factor to consider when making any decisions about your money. By understanding how it works and its potential impact on your finances, you can make more informed choices about how to protect and grow your wealth over time.

YEARS OF VERY LOW AND STEADY INFLATION

After years of very low and steady inflation, prices are currently moving higher rapidly. In the UK, this is most obvious in the rising cost of energy, fuel and food. And because of the crisis in Ukraine, it doesn't look like inflationary pressures will ease any time soon.

Oil and gas prices are likely to remain higher for much longer as sanctions against Russia, one of the world's largest oil and gas exporters, take effect. Food prices are likely to continue to rise too because Russia and Ukraine are big grain suppliers.

MORE OPPORTUNITY TO GROW IN VALUE

For savers, or those in retirement, it's important to manage savings to help

mitigate the impact of inflation. To do this, your money needs to grow in value. Which is where investments can be so valuable as they give your money more opportunity to grow in value over the longer term than cash savings, and importantly to keep pace with, or even beat inflation.

Another way to protect your portfolio from inflation is to invest in assets that generate income. For example, bonds and dividend-paying stocks can provide you with a steady stream of income that can help offset the effects of inflation.

TAKE ADVANTAGE OF INFLATIONARY TRENDS

Finally, you can also take advantage of inflationary trends by investing in assets that are likely to benefit from rising prices. For example, commodities like oil and gas, as we have seen over recent months, tend to do well when inflation is on the rise.

No matter what strategy you use, it's important to stay diversified and to monitor your investment portfolio closely. By doing so, you'll be better positioned to weather any potential storms that may arise due to inflation. ■

IS YOUR MONEY WORKING AS HARD AS IT SHOULD BE?

We take a personal and proactive approach to managing your wealth. Once we've understood your requirements, including your timeframes, the amount of risk that you are comfortable with and how much loss you can bear, we'll tailor an investment portfolio to meet these objectives. To find out more, 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.

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.

RECESSION-PROOF YOUR FINANCES

10 practical steps to ensure your money is working hard for you

IN THESE UNCERTAIN TIMES, IT'S MORE IMPORTANT THAN EVER TO MAKE SURE YOUR FINANCES ARE IN ORDER. THE BANK OF ENGLAND BELIEVES THAT A PAINFUL SQUEEZE ON OUR LIVING STANDARDS, DRIVEN PRIMARILY BY SOARING ENERGY PRICES, IS SET TO INTENSIFY AND WILL PUSH THE UK ECONOMY INTO RECESSION LATER THIS YEAR^[1].

Making your finances recession-proof is all about taking practical steps to ensure your money is working hard for you. It is vital to be completely honest with yourself about your financial situation.

By conducting a thorough audit of your finances and gaining a comprehensive understanding of all your incomes and outgoings, this will show you exactly where your cash is going and, most importantly, help you identify problematic spending behaviour.

HERE ARE 10 TIPS TO HELP YOU RECESSION-PROOF YOUR FINANCES:

1. **Make a budget and stick to it** This will help you keep track of your spending and ensure that you're not overspending.
2. **Save, save, save!** Try to put away as much money as you can into a savings account so that you have a cushion in case of tough times.
3. **Invest in yourself** Take the time to learn new skills or improve upon existing ones. This will make you more valuable in the job market if you need to make a job or career change.
4. **Remove any unnecessary payments** Look at your bank account and remove any pain-free direct debits. Consider if you're currently paying for things you don't really need, for example, subscriptions.
5. **Time to switch** Look at energy tariffs, home insurance, car insurance, broadband, TV package, mobile tariff – now might be a good time to switch.
6. **Stay disciplined with your debt** Make sure you're making all of your payments on time and in full. This will help you avoid costly late fees and keep your credit in good shape.
7. **Pay off high interest** Prioritise any high-interest debt, such as credit card debt, freeing up more money in your budget to cover other expenses if your income decreases.
8. **Have an emergency fund** This is a must in case you lose your job or have any unexpected expenses. Try to save up at least between three to six months' worth of living expenses so that your expenditure is covered.
9. **Diversify your income** Don't put all your eggs in one basket. Having multiple

streams of income can really help. If one income source starts to dwindle – or gets eliminated completely – this will provide other sources to fall back on.

10. **Diversify your investments** In addition to diversifying your income, it's also important to diversify your investments. Review your investment portfolio and make sure your investments are spread across different industries and even different types of asset classes. ■

SECURE YOUR FINANCIAL FUTURE

Following these tips will help you secure your financial future and protect yourself from the effects of rising inflation and the cost of living crisis. If you would like to find out more or to discuss your situation, please contact us.

Source data:

[1] <https://www.bankofengland.co.uk/monetary-policy-report/2022/may-2022>

Making your finances recession-proof is all about taking practical steps to ensure your money is working hard for you.



A man and a woman are smiling and posing for a photo. They are wearing cycling helmets and jackets. The man is wearing a blue cycling jacket and a blue helmet. The woman is wearing an orange cycling jacket and a purple helmet. They are standing on a rocky overlook with a view of a coastline and the ocean. The man has his arm around the woman's shoulder.

WEALTH VS HEALTH

More than half ignore medical advice and work despite poor health due to financial worries

WHEN YOU ARE OFF WORK DUE TO AN ILLNESS OR INJURY, WORRIES ABOUT HOW YOU ARE GOING TO PAY YOUR BILLS CAN MAKE AN ALREADY STRESSFUL SITUATION WORSE. SO MUCH

SO THAT MANY PEOPLE ARE FINDING THEMSELVES IN THE VERY DIFFICULT POSITION OF HAVING TO PUT THE NEED TO EARN MONEY OVER THEIR HEALTH BY CONTINUING TO GO TO WORK, EVEN WHEN ADVISED NOT TO BY A DOCTOR.

Worse still, financial concerns mean some are avoiding seeing their GP altogether, even when concerned they may have a serious illness. Money worries see six in ten people go to work when they are ill, with one in three ignoring their doctor's advice due to financial concerns, even when they are worried about serious illness, according to new research^[1].

NO FINANCIAL PROTECTION IN PLACE

Three in ten people have no financial protection if they were off work should they fall ill or become injured, while 27% could financially only last for a month. The findings highlight that sick and injured Britons are forcing themselves back into work, despite doctors' advice, due to having no financial protection in place.

Nearly a third (32%) admitted to not following their doctor's advice because they couldn't afford to take time off, while 43% would put off going to the doctors due to financial concerns – even if concerned they may have a serious illness.

NEGATIVE IMPACT ON MENTAL WELLBEING

The research also highlights that while nearly half (49%) say they would benefit from a policy that would cover their income if off work for an extended period, just 27% actually have any income protection cover

in place, with 32% unaware of what such a policy is.

Money worries can have a negative impact on people's mental wellbeing, with nearly two-thirds (64%) of those surveyed saying they fret about how they would cope financially if they needed to take four weeks or more off work due to poor health.

SICK AND ON A REDUCED INCOME

Three in ten (30%) surveyed have nothing in place to support them financially should they be ill or injured, while 29% would rely on Statutory Sick Pay, which at £99.35 per week for up to 28 weeks (tax year 2022/23), pays much less than many people need to cover the cost of living, which continues to rise.

If on long-term sick pay and on a reduced income, many would use their existing savings (45%), make reduced payments (33%), borrow money from family or friends (25%), or use a credit card or loan (15%). However, during the pandemic a third (34%) of people had already dipped into their savings, meaning they may now have less to fall back on.

LONGER-TERM FINANCIAL IMPACTS

As a result of this situation, more than half (55%) admit they could only survive for three months, while more than a quarter (27%) would struggle after just one month. The additional financial pressures of being off sick for four weeks or more could

push people to prioritise their household expenditures. The top five things that the people surveyed prioritise include utilities (67%), mortgage/rent (65%), food (56%), insurance i.e. car/home/pet (15%) and internet/broadband (13%).

As well as the immediate impact of long-term sickness, many people are also concerned about the longer-term financial impacts, with almost half (49%) of those surveyed saying they worry about the impact on their ability to get credit in future. This is particularly an issue for the self-employed, where 43% worry about losing customers and just over a third (36%) worry that their business would have to fold. ■

TIME TO DISCUSS INSURANCE THAT WORKS WHILE YOU CAN'T?

Consider how you'd cover your usual monthly costs if you were ill or injured and couldn't work for a while. Would you be able to carry on paying the bills using Statutory Sick Pay or your savings? If not, it's worth thinking about insurance. To find out more, please contact us.

Source data:

[1] Survey conducted by Censuwide for Nationwide between 10–14 February of 2,003 people who are self-employed or employed but receive Statutory Sick Pay when off work through illness or injury.



HOW MUCH WILL YOU NEED TO RETIRE?

Quarter of savers approaching retirement at risk of not having an 'adequate pension'

ONE OF THE BIGGEST MISTAKES YOU CAN MAKE IS NOT SAVING ENOUGH FOR YOUR RETIREMENT. THIS CAN LEAVE YOU STRUGGLING TO MAKE ENDS MEET IN YOUR LATER YEARS, AND MAY EVEN FORCE YOU TO RELY ON OTHERS FOR FINANCIAL SUPPORT. IT'S NEVER TOO EARLY TO START SAVING, AND THE SOONER YOU START, THE BETTER OFF YOU'LL BE.

The question of whether or not you are saving enough for your retirement is a difficult one to answer. It depends on a number of different factors, including your age, your current income, your anticipated expenses in retirement and the amount of time you have left to save.

COST-OF-LIVING CRISIS

According to a new survey, just over a quarter of savers surveyed (26%) who have a workplace pension think that their current amount of pension saving will not be enough to get by on when it comes time to retire^[1].

With UK households feeling the pinch off the back of the cost-of-living crisis, the war in Ukraine and two years of COVID-19 restrictions, savers have reported that they have long-term concerns as to their financial health when they stop working.

LOW-INCOME HOUSEHOLDS

In the survey, those aged between 35 and 54 (29%) were most concerned that they wouldn't have enough to live off, compared to those aged over 55 (20%). Just under a third of women were concerned (31%), compared to one in five men (21%).

Furthermore, 35% of those in low-income households, whose total income is up to £14k – and 31% with an income £14k

– £28k stated their concerns. This figure drops to just one in five (20%) for those in households with an income of over £48k.

MINIMUM STANDARD OF LIVING

One in five people surveyed (21%) who have a pension say that they save into a pension to ensure that they have a minimum standard of living in retirement – a pension that meets all their basic needs.

The findings show that a majority of people save to get either a moderate (41%) or comfortable (33%) Retirement Living Standard. However, far fewer people think their current pension saving will achieve this, with slightly over a quarter (27%) saying moderate and just 14% comfortable.

REACHING YOUR FUTURE GOALS

There are some key questions that will help give you a sense of whether you're saving enough for retirement. These include: How much have I saved so far? How much will I need to save? What is my expected rate of return? What sources of income will I have in retirement?

Keep in mind that these are just general guidelines. The best way to know if you're on track for retirement is to obtain professional financial advice to develop a personalised retirement plan and make sure you're on track to reaching your goals. ■

TIME TO START THINKING ABOUT YOUR RETIREMENT?

No matter what your situation is, it is important to start thinking about retirement saving as soon as possible. The sooner you start, the more time you will have to reach your goals. To discuss your options, please contact us.

Source data:

[1] The research was conducted on behalf of the PLSA by Yonder Data Solutions from 10/01/22 to 11/01/22 with a nationally representative sample of 2,093 adults.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE 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. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.



STARTING A FAMILY

What steps to take to prepare financially

HAVING A BABY IS ONE OF THE MOST EXCITING, LIFE-CHANGING EVENTS THAT YOU'LL EVER EXPERIENCE. BUT ALONG WITH THE JOY AND HAPPINESS THAT COMES WITH STARTING A FAMILY, THERE IS ALSO THE REALITY OF THE ADDED COSTS.

On average in 2021, the total cost of raising a child to the age of 18 now stands at £160,692 for a couple and £193,801 for a lone parent^[1]. These numbers aren't small, which is why it is important to consider your financial planning options before starting a family.

The total cost of raising a child, the report highlights, is the highest it has been since calculations started in 2012. Since 2012, the total cost has risen by 13% for couples and 25% for lone parents. The rise in the last year has been particularly large – 3.6% for couples and 3.3% for lone parents.

Fortunately, there are ways to ease the financial burden and protect your new family.

CREATE A BUDGET

One of the best ways to prepare for the added expenses of having a baby is to create a budget. Track your income and spending so you have a clear idea of where your money is going each month. Then, start setting aside money each month to cover the anticipated costs of having your baby.

If your income is likely to change after the arrival of your baby (for example, if you reduce or stop working) then it may also be a good idea to consider cutting some costs. It can be helpful to sort your expenses into essential and non-essential items so you can find ways to save.

EMERGENCY FUND

Building an emergency fund is a savings account that you can easily access and use in case of unforeseen circumstances. This could help you weather a financial storm

that comes your way and keep you from going into debt. Aim to save at least three to six months' worth of living expenses, or what you can afford, so you have a cushion in case of an unexpected financial emergency.

Remember, this is a pool of money that should only be used during times of financial need, for example, resulting from a job loss or unexpected expenses such as major home or car repairs, illness, etc, that can cause real financial hardship.

FAMILY PROTECTION

This is all about having a financial safety net in place so that your family can remain financially secure should the unthinkable happen. Family protection will typically include life insurance, critical illness cover and income protection.

It is also essential to make a Will that shares your wishes after death. You will need to appoint executors and trustees to administer your estate and ensure it is shared in the way you intended it to be. You can also determine who will be your child's guardian, should you die before they become adults.

FINANCIAL FOUNDATION

All parents want to give their child the best possible start in life. As a new parent, one of your key priorities is undoubtedly ensuring that your child has everything they need to lead a happy and successful life. Part of this involves setting aside money for their future – whether it be for their education, purchasing a first property or simply establishing a solid financial foundation. It

can also teach them valuable lessons about managing their finances.

When it comes to saving and investing, the sooner you begin, the more time the money has to grow. Options may include: Bank/building society accounts, Junior Individual Savings Accounts (JISAs) and a Junior Self-Invested Personal Pension (JSIPP). No matter how you choose to save or invest for your child's future, the important thing is that you start now. ■

TIME TO DISCUSS PREPARING FINANCIALLY FOR YOUR NEW BABY?

When it comes to making the sorts of plans we've mentioned above, the help of an expert can be invaluable. Preparing financially for your new baby doesn't have to be difficult or overwhelming. By following these simple tips, you can ease the financial burden and focus on enjoying this special time with your new bundle of joy. To discuss how we could help, please contact us for more information.

THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE AND YOU COULD GET BACK LESS THAN YOU INVEST. IF YOU'RE NOT SURE ABOUT INVESTING, SEEK PROFESSIONAL ADVICE.

Source data:

[1] <https://cpag.org.uk/policy-and-campaigns/report/cost-child-2021>