FINANCIAL VIEWPOINT

OYSTER FINANCIAL SOLUTIONS LLP

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

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5 steps to create a budget

The average British family used to be 2.4 children, these days it's 1.7 children (and half a dog). Whether your idea of a family is two adults and two children, or just you and a dog, creating a family budget is an essential step towards managing your finances effectively.

By gathering information about your income and expenses, categorising your expenses, setting financial goals, determining your disposable income, and creating a budget plan, you can take control of your finances and achieve your financial goal.

1 Top tips to avoid being scammed

Make a list of all your average monthly outgoings, then compare it to your current income and see if you spend more than you earn. If there is money left over every month, then it's easier for you to add this to savings. If you earn less than you spend, try to cut back on your expenses slightly.

2 Set realistic goals

Set yourself short and long-term financial goals. Short-term goals should take around one to three years to achieve and might include things like setting up an emergency savings fund or paying credit card debt. Long-term goals, such as saving for retirement or your child's education, may take decades to reach.

3 Follow the 50/30/20 rule

Once you've identified your monthly income and expenditures, it's worth using the 50/30/20 rule. This is a technique where you divide your income into three categories. 50% of your budget covers any essentials like rent and bills, 30% covers variable costs like eating out and shopping and 20% covers savings and paying off debts.

4 Cut back on nice to haves

We are all guilty of enjoying the finer things in life, but identifying what nice to have items you can cut back on can help you achieve your financial goals quicker. For example, cutting back on eating out may only save you a small amount each month, but can be a huge saving in the long term. You may be surprised by how much money you could accumulate by making one minor adjustment at a time.

5 Review your budget regularly

Once you have created your budget, don't forget to review it from time to time, especially as the cost-of-living crisis is beginning to catch people out with rising prices. By checking it frequently, you'll see whether you need to adjust your goals and where you could still cut back on your expenses.

Reasons to consolidate your pensions

If you've worked for more than one employer, you will doubtless have more than one pension plan. How long is it since you last looked at them? Are they languishing in poor performing funds?

Combining some or all of your pensions into a single plan could save you money, achieve better growth and make your life easier. Here are some things to consider:

5 benefits of pension consolidation

1. Consolidating could save you money. Each pension plan has its own annual charges so combining multiple pensions into one means you'll only pay one annual fee. Shopping around could also help you find a plan with lower charges than your current ones.
2. It gives you greater flexibility. Modern pensions may offer benefits that older ones don't, like flexible drawdown of your pot or income for your loved ones after you pass away.
3. It keeps things simple. You only have to remember one set of login credentials and, if your address changes or you want to change the recipient of any death benefits, you only have to tell one provider.
4. You could get better opportunities. Bringing your pensions together could increase the overall value of your savings and a different plan or provider might give you access to a wider range of investment funds.
5. It makes it easier to plan for the future. An important part of retirement planning is understanding what you've got and what you'll need. Having everything in one place makes it easier to track your plan's value against your goals.

Things to be aware of

You could be charged exit fees. Some plans still have exit penalties so make sure you're aware of these and the impact they might have on your pot.

It may be better to stay in a final salary (also known as defined benefit) scheme. These offer a guaranteed income in retirement alongside other benefits (like a pension for your spouse when you die) which you'll lose if you transfer out.

There's no guarantee you'll be better off consolidating. Your current pensions may have benefits like early access or guaranteed annuity rates that might be worth keeping, and annual fees on other pensions may not be competitive.

Get advice before you consolidate

We're here to help. We can assess your situation, explore your options, and help you understand if pension consolidation is right for you.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Here's how financial protection can offer security for parents

Serious illness can place immense stress on our families. The cost of caring for an unwell child, worry over access to essential services, and the emotional toll of serious illness are all things that no parent wants to think about.

We can't predict what the future will hold for the health of our families, but we can take proactive steps to prepare for the risk that we or our children might become critically unwell.

Appropriate financial protection can be a vital safety net for parents, providing essential cover for children and easing the pressure of caring for them.

Critical illness payouts can help you care for your child

No parent wants to consider the possibility of their child becoming seriously ill, but planning for the worst can offer the greatest peace of mind. Robust and appropriate financial protection can help shore up your finances and allow you to focus on caring for your child.

Critical illness cover pays out a lump sum if you are diagnosed with an illness covered by the policy. Many of these policies include cover for a child of the policyholder, paying out a proportion of the full amount if they become seriously ill. This payout provides a financial safety net, covering your expenses and allowing you to take time away from work to care for your child.

Critical illness cover may also come with other benefits that can offer further support for your family, such as:

- A payout if your child is hospitalised because of an accident.
- Cover for the cost of accommodation so that you can be close to your child if they're in hospital.
- Childcare costs if you're diagnosed with a serious illness that's covered by your policy.

The cost of critical illness cover varies depending on how large you want a potential payout to be, as well as other factors like your age and general health. It's important to note that you'll only be covered as long as you keep paying your premiums.

Children are often automatically included in critical illness cover but this isn't guaranteed. Contact your provider for clarification and be aware that your premiums could rise if you add a child to a policy that doesn't already cover them.

Cover for a child typically starts from the first few weeks after birth and lasts until they're 18, or 21 if they're in full-time education, but this can vary between providers. There may be other restrictions to critical illness cover that you should be aware of – some policies will only allow one claim per child whilst others might exclude certain conditions that are present from birth.

It's important to check the details of critical illness cover thoroughly when comparing your option to make sure that you're buying the right cover for your circumstances.

Private medical insurance could help provide better care for your family

You may want to consider taking out private medical insurance to compliment the security that financial protection could offer you. The Guardian reports that the private health insurance market has grown by £385 million in the last year. At the same time, rising wait times and staff shortages are causing public satisfaction with the NHS to slump according to the long-running British Social Attitudes survey.

Private medical insurance can help to put your mind at ease by reducing waiting times for a range of services (like tests and consultations) whilst giving you a wider choice of treatment providers. It could also help to cover the cost of a private room, giving you and your family greater privacy if you need to stay in hospital overnight.

Private health insurance can cover much more than just physical illness. Some providers offer access to counselling and mental health services which are becoming increasingly important for the wellbeing of younger generations – the number of children and young people seeking support for their mental health increased by 25% from 2022 to 2023 according to data from Aviva.

The cost of private health insurance and the level of cover you'll receive are influenced by a range of factors, including who you want the policy to cover, your lifestyle, and family medical history. It's important to take the time to understand how comprehensive your options are and any exclusions that might affect your family.

Talk to us to see how we can help protect your family

Financial protection is just one way that you can prepare for the unexpected. Get in touch if you'd like to know more about financial protection for your family against serious illness.

Please note: Financial protection plans typically have no cash in value at any time and cover will cease at the end of the term. Cover will lapse if premiums are unpaid. Cover is subject to terms and conditions and may have exclusions. Definition of illnesses vary between providers and will be explained in policy documentation.

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The future of wealth is female

More women own their wealth, and their ambitions are changing too.

Industry commentators often say that 60% of UK wealth will be in the hands of women by 2025.

That figure is from a report published 20 years ago, so we can't vouch for its accuracy today. But there are other signs that the Great Wealth Transfer is pushing more wealth towards women and that the face of financial advice is changing as a result.

Mavericks and trendsetters

Baby boomers own most of the UK's wealth and female boomers are increasingly coming into the money left behind by their partners. Research from Schroders suggests that two thirds of baby boomer wealth is found in joint households, and that the first transfer typically occurs between a husband and a wife.

But this situation is changing. A growing proportion of female wealth owners are Gen X (born between 1965 and 1980) whose needs, expectations and ambitions are different from their mothers. And the stereotype of the risk-averse female investor is rapidly eroding as the number and diversity of female wealth owners continues to grow.

Almost 70% of women want to make a positive social impact with their investments, according to analysis from The WealthiHer Network. Meanwhile, half of UK landlords are female and almost 10% of volatile cryptocurrency investments are owned by women, according to more Schroders research.

Even women who don't own exotic assets are starting to reshape the advice industry. Many women are taking control of their wealth, some for the first time in their lives. Whilst the maverick female investor is increasingly common, you don't have to be radical to make the most of your money.

Get set for your future

Whether you want to leverage your wealth for greater independence, use your money to do good in the world, or simply provide for the people you care about, we're here to give you the confidence and advice you need to realise your ambitions.

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

How to improve your chances of passing a mortgage affordability assessment

Getting on the housing ladder can feel like one of the hardest and longest processes in the world and the cost of living crisis is probably not helping. You need to come across as attractive buyers for lenders to consider you, but there are many factors that can reduce how much lenders are willing to let you borrow for your home.

How do lenders decide whether to offer you a mortgage?

If you're applying for a new mortgage, remortgaging or increasing your current mortgage, lenders are required to carry out an affordability assessment. This involves a variety of checks designed to make sure you can afford to repay what you borrow. According to the Independent, some two thirds of first-time buyers are rejected for a mortgage at their initial attempt. So, what can you do to boost your chances of passing an affordability assessment?

Evidence stable employment

Many lenders ask for three years' proof on income, although some will accept less. Even simply switching from one employed position to another can affect your chances of success. Some lenders like to see that you've been with an employer for at least three to six months before they'll consider you.

Reduce your debts

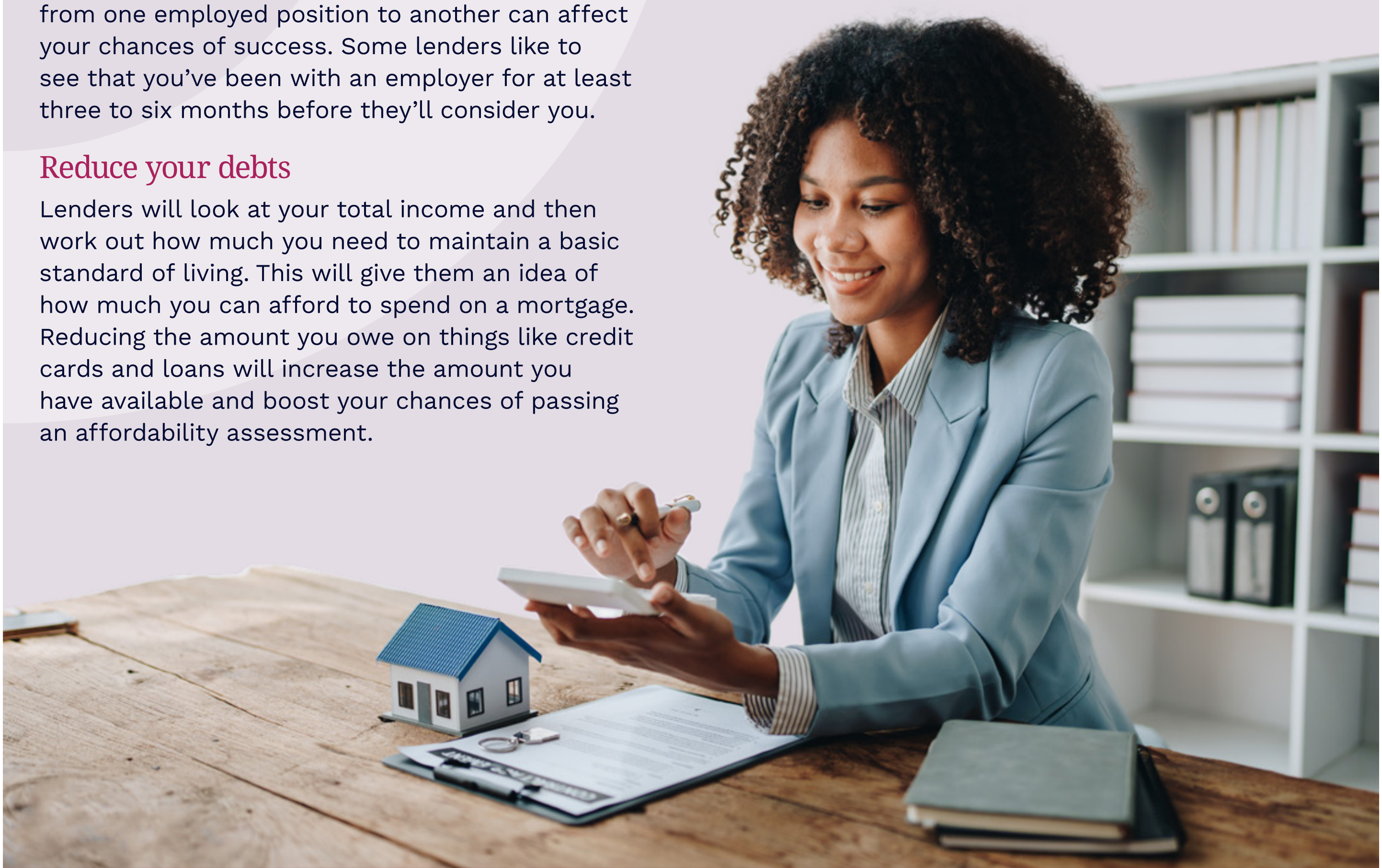
Lenders will look at your total income and then work out how much you need to maintain a basic standard of living. This will give them an idea of how much you can afford to spend on a mortgage. Reducing the amount you owe on things like credit cards and loans will increase the amount you have available and boost your chances of passing an affordability assessment.

Check your credit report

Before offering you a mortgage, lenders check your credit report. A poor credit history could affect the amount they're prepared to offer or cause them to turn you away altogether. However, there are simple ways to improve your credit rating. Before applying for a mortgage, check your credit report for errors, avoid applying for new credit in the six months leading up to the application and make sure you're well within any existing credit limits.

Get professional advice

Finding the right mortgage is important so we can assess your circumstances and get the right deal for you. We can save you the headaches and ensure you're less likely to be turned down for a mortgage.



YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Could extra money help you in retirement?

Why consider equity release?

Equity release allows you to unlock tax-free funds tied up in your main residence. Whether you prefer a one-off lump sum or instalments after an initial release, this option can provide the financial boost you need.

If you're over 50 and a homeowner there are many reasons why you might consider equity release:

- **Pay off your existing mortgage** and potentially other debts, freeing up monthly cash flow.
- **Supplement your income in retirement**.
- **Fund home improvements or a dream holiday**.
- **Support your children or grandchildren** in getting on the property ladder.
- Another great benefit of equity release is that you get to remain in your own home. There will be no need to downsize or move.

Important considerations

A Lifetime Mortgage allows you to unlock tax-free cash from your home while retaining full ownership and the ability to stay as long as you wish. You can choose to make reduced or no monthly repayments, and with the No Negative Equity Guarantee, you will never owe more than your home is worth. However, as interest is charged on both the original loan and the interest that has been added, the amount you owe will increase over time, reducing the equity left in your home and the value of any inheritance, potentially to nothing.

It's essential to seek financial advice as a Lifetime Mortgage may affect your entitlement to means-tested benefits and is not suitable for everyone.

When arranging a Lifetime Mortgage, you may need to cover associated costs such as a property valuation, legal fees and advice, just as you do for a residential mortgage.

Although the decision is yours, discussing your plans with family and beneficiaries is encouraged, as a Lifetime Mortgage could impact potential inheritance. We recommend inviting them to any meetings with your Financial Adviser to ensure everyone is informed and involved in the decision-making process.

Navigating the variety of Lifetime Mortgages can be complex, which is why specialist, impartial advice is crucial if traditional mortgages don't meet your needs.

We're here to help

We're here to help you navigate the market based on your unique circumstances. If equity release isn't quite right for you, we'll be able to help you identify alternative solutions that might be better.

If you would like to find out more or are interested in receiving our '**Making More of Your Home**' brochure, please contact me/us.

If you would prefer to not be contacted about the products and services we offer, please let us know so we can update our records accordingly.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Approved by The Openwork Partnership on 23/10/2024

Tools for successful estate planning

Successful estate planning is about balance and compromise.

It means you can avoid 40% inheritance tax (IHT), by ensuring that your estate is worth less than the tax-free threshold of £325,000 when you pass away.

But life is complex. You don't know when you're going to pass away or how much money you may need in later life. You also can't predict what will happen to your loved ones, and you may want your assets to be used in a certain way.

Let's consider some ways that could help reduce your IHT liability:

1. Lifetime gifts

You can give away up to £3,000 tax-free each year to one person or split the £3,000 between several people (this is known as your annual exemption). You can give a further £250 per person each year to individuals who haven't benefitted from your annual exemption.

Other gifting options such as wedding gifts, gifts from your surplus income and gifts to help with living costs are also available.

2. Exemptions and reliefs

There are lots of other legal ways to reduce IHT besides gift giving, including:

- Any amount left to a spouse or civil partner is exempt from IHT.
- Any unused IHT allowance will also pass to your spouse (note that you must be married or in a civil partnership for these conditions to apply).
- Leaving your home to your children or grandchildren could boost your tax-free allowance by up to £175,000 to a total of £500,000.
- Any money you leave to a UK registered charity, community amateur sports club is free from IHT and the IHT rate on your taxable estate falls from 40% to 36% if you leave more than 10% of it to one of these groups.

3. Trusts

Trusts help you control what happens to your assets after you pass away. Trustees are legally obliged to manage the assets on behalf of your beneficiaries, and you can make the terms as rigid or flexible as you like. Trusts can also be useful for minimising IHT.

4. Pension arrangements

You can pass many pension products on to loved ones when you die and they're not usually subject to IHT so it can be a smart way to leave a legacy if you don't think you'll use all your pension in your lifetime. But it can be complex, and the person inheriting may have to pay income tax.

5. Life assurance

Estate planning may not eliminate the IHT liability on your estate, but the payout from a life assurance policy can be used to pay off all or part of the eventual tax bill. Alternatively, your Executors might need to take out a loan to cover the cost because the assets in your estate can't be realised until they've been granted probate, and that doesn't happen until IHT is paid.

We can help you create a legacy to be proud of

Setting up your estate to support your loved ones can bring you real peace of mind. We'll work with you to explore your options and explain the best way to achieve your goals.

Figures based on the IHT figures for the 2024/2025 tax year.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

HM Revenue & Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes, which cannot be foreseen. Please contact an accountant or tax specialist for specific tax advice.

Trusts are not regulated by the Financial Conduct Authority.

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