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FISHFINANCIAL

SMARTMONEY

REDUCE YOUR INHERITANCE TAX BILL

10 WAYS TO PROTECT YOUR ESTATE FOR YOUR LOVED ONES

RESPONSIBLE INVESTING
Invest today. Change tomorrow

INVESTING FOR LIFE'S JOURNEY
Planning for future wealth and a comfortable retirement

WEALTH CREATION
Where can you turn if you want to invest tax-efficiently?

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INSIDE THIS ISSUE

Welcome to the Spring 2021 issue of *Smart Money* from Fish Financial. You've worked to create a legacy for the people you care about. But have you put in place plans so that your loved ones can receive the most from the estate you intend to leave behind? Even if you believe you have moderate wealth you may still need to take action to minimise Inheritance Tax. On page 04 we consider why it can be a great concern for individuals with wealth exceeding the current £325,000 nil-rate band (2021/22 tax year).

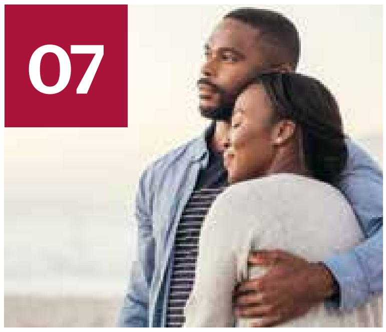
Responsible, sustainable and environmentally friendly investing is here to stay. But, while demand is growing among all age groups, genders and income bands, some savers and investors are missing their biggest opportunity for responsible investing, which is through their pension. Read the full article on page 06.

Some couples may prefer to keep their finances separate, while others share everything. Whichever method you've chosen, when it comes to retirement saving, it's worth planning together to ensure you've made the most of all the allowances and benefits offered to couples. Find out what to consider on page 07.

Whatever age you are, wherever you are on life's journey, it's human nature to live in the moment and cope with whatever challenges life throws at you. Selecting the most appropriate investments to align with your values and life goals requires undertaking the right planning to accumulate wealth over the long term. Turn to page 08 to see what you need to consider. A full list of the articles featured in this issue appears opposite.

PLANNING FOR LIFE'S JOURNEY

Your wealth needs to serve you differently at different stages of your life. Individual life planning should not be a one-off exercise. Your personal circumstances, requirements, expectations and aspirations will develop over time. That's why Fish Financial is here to support you through life's adventures and provide the right solution at every step of the way. To discuss how we can help you plan for life's journey, please contact us – telephone 01252 931265 or email info@fishfin.co.uk – we look forward to hearing from you.



Contents

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 MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

EMILY CRAIG,
CLIENT EXPERIENCE EXECUTIVE

PROVIDING THE UTMOST SERVICE TO OUR CLIENTS

Although my journey with Fish Financial has just begun, it has been clear from the outset that Fish pride themselves on long-term results for both clients and their staff.

Fish have the strategies set in place to provide the utmost service to our clients. Continued development within the team is highly encouraged and this is projected into our client relationships.

I am a member of the Client Services team, bringing two years' experience within financial services and over ten years' experience in customer service, so I understand the importance of facilitating a first-class client experience. My goal is to complete my CII studies to broaden my knowledge and bring that understanding of Financial Services into my role.

When I am not working, I have a passion for undertaking projects on my property, which has more than kept me busy during the lockdown periods. I was lucky enough to travel to South East Asia several years ago and have lots of memories that I like to incorporate into my projects around my home. In my spare time I also enjoy yoga and spending time with friends and family over a gin and tonic or two! ■

STAFF WELLBEING

MHFA England

FISH APPOINTS TWO MENTAL HEALTH FIRST AIDERS

We all have mental health, just as we all have physical health. Mental ill health can strike at any time and can affect people from all walks of life. Although things are improving, stigma still exists around mental ill health.

As a society, we don't tend to know how to take care of our mental health like we do our physical health. This means that people may not know how to support a friend, family member or colleague experiencing a mental health issue, or where to go for support with their own mental health.

Fish are committed to supporting our team through these difficult times, and beyond, and recognise the importance of good mental health.

We have invested recently in staff wellbeing, with Guy Prysor-Jones and Lucy Brand undertaking a Mental Health First Aid training course provided by MHFA England.

Guy and Lucy have learned to recognise warning signs of mental ill health, and have developed the skills and confidence to approach and support someone, as well as helping them to access the extra support they might need for recovery or successful management of symptoms.

Fish are proud champions of good mental health and aim to support positive wellbeing and work-life balance. ■

REDUCE YOUR INHERITANCE TAX BILL

10 WAYS TO PROTECT YOUR ESTATE FOR YOUR LOVED ONES

Even those who believe they have moderate wealth levels may still need to take action to minimise Inheritance Tax, particularly if they own property and have savings and investments.

Inheritance Tax is payable in the UK on death, and sometimes when you give away certain assets during your lifetime. It can be a great concern for individuals with wealth exceeding the current £325,000 nil-rate band (2021/22 tax year).

Naturally, you'll want to pass on as much as possible to your loved ones, rather than paying 40% to HM Revenue & Customs (HMRC). Are you worried your family could be left with an Inheritance Tax bill after you're gone?

Here are 10 tips to pay less or avoid Inheritance Tax:

1. POTENTIALLY EXEMPT TRANSFERS

One of the better-known ways to pass on wealth free from Inheritance Tax is to gift it more than seven years before your death. Of course, there is a degree of unpredictability in the outcome. If you were to die within seven years of making the gift, Inheritance Tax may be charged, though the rate will be reduced if more than three years have passed.

2. PERSONAL GIFTS

Gifts up to a certain value can be made free from Inheritance Tax, even in the last years of your life. Your allowance includes: large gifts totalling no more than £3,000; unlimited small gifts of up to £250; and wedding gifts of up to £5,000 for your children, £2,500 for your grandchildren, or £1,000 for others

Gifts made within your regular pattern of income and normal expenditure (for example, quarterly payments towards a grandchild's school fees from your annual income) can usually be made free from Inheritance Tax, although you may need to document this pattern for three or more years.

3. CHARITABLE GIFTS

Gifts to registered charities can be made entirely free from Inheritance Tax, which can help you to reduce the size of your estate to within the Inheritance Tax threshold.

Additionally, if at least 10% of your total estate is gifted to charity, it will reduce the rate of Inheritance Tax payable on your remaining estate (above the nil-rate band) from 40% to 36%.

4. INSURANCE

It is possible to take out a life insurance policy written in an appropriate trust that can provide a lump sum on your death to be used to pay the resulting Inheritance Tax bill. If this policy is within a trust, the lump sum paid out will not count towards your estate.

Insurance can also be taken out when making large financial gifts to cover the Inheritance Tax bill if you were to die within the following seven years (for example, before they are excluded from your estate). This is called a 'term assurance' policy.

5. PENSIONS

Typically, though with some exceptions, pensions are excluded from the calculation of your estate and can be passed on free from Inheritance Tax. It is important to name a beneficiary to whom you wish to pass on your pension benefits.

It is also possible to make payments in your

lifetime into another person's pension, which will protect this money from Inheritance Tax. For example, you can set up a Junior Self-Invested Personal Pension for a grandchild under the age of 18 and pay in up to £2,880 a year. But they will not usually have access to this money until they reach age 55.

6. DISCRETIONARY TRUSTS

A discretionary trust can help you to reduce your Inheritance Tax liability by holding money in the name of your beneficiaries while you retain control. You can use your nil-rate band to pay in up to £325,000, which will be excluded from your estate after seven years. Funds above the nil-rate band may attract a lifetime tax charge.

7. LOAN TRUSTS

If you would like to protect your money in a trust but need to know you can withdraw it if you need it, it's possible to loan money to a trust. You will always have the option to withdraw the original capital you loaned, but any growth on that capital will be protected within the trust from Inheritance Tax.

8. DISCOUNTED GIFT TRUSTS

If you would like to earmark some wealth to be passed to a beneficiary or beneficiaries on your death, but you want any income generated to be paid to you in your lifetime, you can do this through a discounted gift trust. This will exclude the contents of the trust from your estate for Inheritance Tax purposes but still provide you with regular payments from it.

9. BUSINESS RELIEF

Business assets can usually be passed on either in your lifetime or after your death with Inheritance Tax relief of up to 100%. A business, interest in business or shares in an unlisted company will usually qualify for 100% Business Relief. Land, buildings and machinery related to the business will usually qualify for 50% Business Relief, as will shares controlling more than 50% of the voting rights of a listed company.

10. AGRICULTURAL RELIEF

If you own agricultural property (land or pasture used to grow crops or rear animals as part of a working farm), this can usually be passed on in your lifetime or after your death free from Inheritance Tax. ■

DISPLAY SECTION: TIME TO PLAN YOUR ESTATE?

Inheritance Tax planning can be a complicated process, especially as rules and legislation seem to change every year. But with the right forward planning, it is possible to significantly reduce or even eliminate a potential Inheritance Tax liability. To identify the best ways to protect your assets for future generations, don't delay. Contact Fish Financial to discuss your options.

RESPONSIBLE INVESTING

INVEST TODAY. CHANGE TOMORROW

Responsible, sustainable and environmentally friendly investing is here to stay. But, while demand is growing among all age groups, genders and income bands, some savers and investors are missing their biggest opportunity for responsible investing, which is through their pension.

We all want to make responsible choices as more of us are becoming aware of global challenges, such as environmental issues, human rights and climate change. We're also starting to care more about how our behaviours affect the planet and society.

FUTURE SUCCESS

Taking ESG (Environmental, Social and Governance) factors into consideration when investing is becoming more mainstream. It is acknowledged that companies that act responsibly to their employees, the environment and the public have a better chance of future success than those that don't. Investing in these companies is a logical approach financially as well as ethically.

Many pension holders understand this approach and see the value of it. In a recent survey, more than one-third of respondents said that the option to invest their pension only in sustainable companies is important to them[1]. Nearly two-thirds said having clearly branded funds for investing in environmentally and socially responsible companies is important.

PENSION INVESTMENTS

The same survey suggests that pension holders feel that sustainable investing isn't just important, but interesting. More than half of respondents said that a fund focused on clean energy and lowering carbon would make them more interested in their pension. A similar number felt that way about a zero-plastic fund.

But while pension holders feel these issues are important and interesting, that isn't yet affecting the way they invest. Most people don't manage their pension investments themselves, instead leaving their pension invested in the default options set by a provider chosen by their workplace. So, more than two-thirds of pension holders do not know how sustainable their pension is.

ENVIRONMENTALLY FRIENDLY

Many pension holders don't know that they can choose their own funds, and therefore that they can choose sustainable or responsible funds. Around half are unaware of ways to ensure their pension is environmentally friendly.

Clearly, there is a large audience of individuals who would like to invest their pension more sustainably and responsibly but don't know where to start. There are plenty of options, but without specialist experience, it can be difficult to select those that are truly responsible and environmentally friendly and will also deliver the financial return you're seeking.■

INVESTING WITH PURPOSE

Responsible investors essentially take responsibility for the impact that the companies they invest in have on the world. Speak to Fish Financial about what responsible investing options are available in your pension scheme and for advice on how to help your money have the greatest impact. We look forward to hearing from you.

Source data:

[1] https://adviser.scottishwidows.co.uk/assets/literature/docs/2020-09-responsible-investment.pdf

COMBINED FINANCES

PLANNING AHEAD FOR YOUR FINANCIAL FUTURE TOGETHER

Some couples may prefer to keep their finances separate, while others share everything.

Whichever method you've chosen, when it comes to retirement saving, it's worth planning together to ensure you've made the most of all the allowances and benefits offered to couples.

Your golden years may ultimately be the best of your relationship if you understand each other's future goals, needs and expectations.

SET YOUR BUDGET

The first step of planning for retirement is to look at how much money you'll need to cover your outgoings. Start by analysing your current spending, and then identify where your spending might increase and decrease over the years.

If you have different perspectives on how extravagant your lifestyle will be, it's best to discuss this openly and early on as you'll need to come to an agreement. One of you might be underestimating how much you'll need or overestimating what you can realistically afford.

Remember to plan for different circumstances. Hopefully, you'll enjoy a decades-long retirement together, but your finances might look very different if one of you were to fall ill or die. It might be unpleasant to discuss but is essential to plan for.

ASSESS YOUR FINANCES

Next, look at the income you'll both have from the State Pension and any private pensions. Set aside some time to trace pensions from previous workplaces that you might have forgotten about or not known an employer was paying into, as many people find extra cash that way.

Make sure you understand all of your options for withdrawing your pensions, as the amount you get back from your pension depends, in part, on which option you choose. Consider, for example, whether you want to take a tax-free lump sum of up to 25% of your pension savings at the start of your retirement, and how best you could use that.

If you have any debts or savings you haven't mentioned to your partner, it would be wise to open up about these now.

TOP UP YOUR SAVINGS

If your existing pension savings won't provide the income you think you'll need, look at ways to address the shortfall. Could you make some lifestyle changes now to save more for later?

If one or both of you have less than 35 years on your National Insurance record, you can make voluntary contributions to receive more State Pension.

It's worth obtaining professional financial advice about using both of your pension allowances, and whose pension it is more sensible to contribute to. You both have an 'annual allowance', which is £40,000 in the 2021/22 tax year, or 100% of your income if you earn less than £40,000. ■

NEED HELP WITH YOUR RETIREMENT PLAN?

It's important to carry out any financial planning exercise together, holistically, as a couple. If you don't fully understand your options or want to boost your pension savings, speak to Fish Financial to discuss your circumstances.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028). 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 FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX ADVICE.

INVESTING FOR LIFE'S JOURNEY

PLANNING FOR FUTURE WEALTH AND
A COMFORTABLE RETIREMENT

Whatever age you are, wherever you are on life's journey, it's human nature to live in the moment and cope with whatever challenges life throws at you. Selecting the most appropriate investments to align with your values and life goals requires undertaking the right planning to accumulate wealth over the long term.

Your investment goals will change throughout the course of your life. And depending on which side of the coronavirus (COVID-19) financial equation you've been on, the last year has been possibly the strangest year ever for your investments. We've experienced a stock market collapse, soaring unemployment, millions deferring their mortgage payments – and a booming housing market, plus bulging savings accounts.

UNCERTAINTY AND VOLATILITY IN MARKETS

But general economic factors, business conditions and political events are all part and parcel of investing throughout life's journey. Over any given time period we can expect to see the economies go through a series of ups and downs leading to uncertainty and volatility in markets – which is why you need to take a long-term view.

It's also important to remember that there is a big difference between saving and investing. Some investors may think of cash as a safe haven in volatile times, or even as a source of income. But in an era of low interest rates, the returns available on cash will be depressed to near zero, leaving cash savings vulnerable to erosion by inflation over time.

LONG-TERM INVESTMENT OBJECTIVES

With interest rates expected to remain relatively low for the foreseeable future, you should be sure any sizeable allocation to cash does not undermine your long-term investment objectives. Some investors who leave cash on deposit may miss out on future performance that will have come from staying invested over the long term.

Of course, there are also reasons to invest conservatively – market volatility and preserving the funds you have, to name just a couple. But there is also a trade-off between risk and investment returns. Investing is a long-term activity. The more risk, the more potential return; the less risk, the less return potential.

REINVESTING INCOME FROM INVESTMENTS

It's ironic that minimising market risk can increase the probability of a long-term retirement income shortfall. With compound growth, even missing out on a few years can make an enormous difference to your eventual returns. Reinvesting income is another major factor. You can make even better use of the magic of compounding if you reinvest the income from your investments to boost your portfolio value further.

The difference between reinvesting, and not reinvesting, the income from your investments over the long term can be significant. Reinvesting income from your investments enables you to acquire more investments that will potentially grow in value and boost your overall returns. In simple terms, your returns also earn returns.

TOP 12 TIPS FOR AVOIDING INVESTMENT MISTAKES

- Neglecting to start or continue
- Failing to obtain professional advice
- Not having clear investment goals
- Failing to diversify enough
- Focusing on the wrong kind of performance
- Focusing too much on taxes
- Taking too much, too little, or the wrong risk
- Letting emotions get in the way
- Reacting to the media
- Trying to be a market timing genius
- Forgetting about inflation
- Not reviewing investments regularly

ENTERING A PERIOD OF MARKET CORRECTION

It's important not to forget that volatility in financial markets is normal and you need to be prepared for the ups and downs of investing, rather than reacting emotionally when markets enter a period of correction.

Market timing can be a dangerous approach. Pullbacks are hard to predict and strong returns often follow the worst returns. But some investors may think they can outsmart the market, or they let emotions push them into investment decisions they may later regret.

DESIRED RETURNS WHILE MANAGING RISK

While markets can always have a bad day, week, month or even a bad year, history suggests investors are much less likely to suffer losses over longer periods. Investors should aim to keep a long-term perspective. When it comes to creating an investment portfolio to help you maintain your quality of life during retirement, it's essential that you diversify to help you achieve your desired returns while managing risk.

This means balancing the investments you have in your portfolio among different categories, classes and industries so that in a given economic situation they don't all go up or go down together.

MAINTAINING A DIVERSIFIED PORTFOLIO

The term 'correlation' is used to describe how one type of investment behaves in relation to another. If two types of investments behave similarly, they are said to be positively correlated. If they behave differently, they're negatively correlated.

So whether the market is bullish or bearish, maintaining a diversified portfolio is essential to any long-term investment strategy. A diversification strategy will help you achieve more consistent returns over time and reduce your overall investment risk.

TIME TO TURN YOUR FINANCIAL DREAMS INTO YOUR FUTURE REALITY?

No matter what stage you're at, we'll help you turn your financial dreams into your future reality. To find out how we can help guide your wealth journey, please contact us.

LOOKING TO INVEST FOR A BETTER FUTURE?

Given the high volatility we've seen in the markets recently and the current level of uncertainty regarding timescales for economic recovery from the pandemic, diversification will be a primary concern for many investors. If you would like to discuss your situation and investments goals, please contact Fish Financial – we look forward to hearing from you.

WEALTH CREATION

WHERE CAN YOU TURN IF YOU WANT TO INVEST TAX-EFFICIENTLY?

Tax-efficiency is a key consideration when investing because it can make such an enormous difference to your wealth and quality of life.

If you have an income of over £50,000 it doesn't just push you into a higher income tax bracket, it also means that you'll pay higher tax on capital gains and dividend income from your investments. So, it's important to choose a tax-efficient investment vehicle that is appropriate for your particular investments goals and tax position.

INDIVIDUAL SAVINGS ACCOUNTS (ISAS)

ISAs come in various forms, including the Stocks & Shares ISA, for tax-efficient investing.

You can invest up to £20,000 a year (tax year 2021/22) in a Stocks & Shares ISA, and all capital gains, interest growth and dividend income from these investments are protected from tax.

If you've used your ISA allowance, you may wish to consider paying into accounts for your partner (who also has a £20,000 annual ISA allowance in this tax year) and your children (who have a £9,000 annual ISA allowance in this tax year). Bear in mind that the money will be in their names and will legally be theirs.

PENSIONS

Pensions are designed primarily for retirement saving and can usually be accessed from the age of 55. Not only do pensions offer protection from tax on capital gains, interest growth and dividend income (like ISAs), but you'll also receive tax relief on your contributions. Higher rate taxpayers receive tax relief at 40%, while additional rate taxpayers receive 45%.

There is a limit on the pension contributions you can receive tax relief on, which in the current tax year is capped at £40,000 a year (or 100% of your salary if your salary is lower). But if you have contributed less than your limit in recent tax years, you may be able to pay in more this year.

If you have an annual income of over £200,000, you may have a lower limit on contributions and should obtain professional financial advice to assess your options. If you are approaching your Lifetime Allowance on pension savings, currently £1,073,100 (tax year 2021/22), another investment vehicle may be more tax-efficient. ■

INTERESTED IN TAX-EFFICIENT INVESTING?

If you are a higher rate taxpayer, tax-efficient investing is a crucial component of your financial planning. To learn more about these and other tax-efficient investing ideas, contact Fish Financial to discuss your options in detail.

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INVESTING FOR YOUR CHILD'S FUTURE

EVEN SMALL AMOUNTS CAN BUILD UP A SUBSTANTIAL NEST EGG

Decided it's time to start saving for your little one? Putting money aside for your child is a great way to prepare them for their future, and can also teach them valuable lessons about their managing their finances.

Whatever hopes and dreams you have for your children or grandchildren, it's reassuring to know that you can help make this happen by setting them on the path to financial security when they are young. To fund the future you want for them, it's crucial to start saving early.

Building wealth for your children or grandchildren:

JUNIOR INDIVIDUAL SAVING ACCOUNT (JISA)

Junior ISAs share the same set of rules as adult ISAs, though with a lower annual limit on contribu-tions, currently £9,000 (2021/22 tax year).

This means they're a tax-efficient way to save in your child's name. The money cannot be withdrawn before the child's 18th birthday, so cannot be used for certain expenses, such as school fees. The child will take control of the money, and can make their own investment choices, from the age of 16.

BARE TRUSTS

As with a Junior ISA, a child can withdraw money from a bare trust in their name once they turn 18. However, withdrawals can also be made for the benefit of the child before this age. So, it can be used for school fees, for example.

A second difference is that there is no limit on how much can be paid in. While it is not protected from tax (as a Junior ISA is), it will be taxed as if it belongs to the child, so will often fall within their personal allowances.

DISCRETIONARY TRUSTS

Discretionary trusts offer more control and flexibility to the trustee. It is possible to establish one in the name of a group of beneficiaries (named or unnamed), for example, all your grandchildren. The trustee retains control over the money and investment choices and sets the payment terms.

However, the tax treatment is more complex than for bare trusts, usually resulting in higher taxes and more administration.

JUNIOR SELF-INVESTED PERSONAL PENSION (SIPP)

Junior SIPPs operate according to the same rules as other pensions, except that they have a lower £3,600 annual limit on contributions (2021/22 tax year).

This means that, like other pensions, tax relief is added to contributions, and no tax is paid on income and capital gains. It also means that, currently, withdrawals are not possible until the child reaches age 55. So, while they offer very little flexibility, there is potential for even small investments to grow significantly. ■

WANT TO DISCUSS INVESTING FOR YOUR CHILDREN?

As the costs of private education, university, getting on the property ladder and weddings continue their relentless upward march, investing for your children early is crucial. If you'd like to discuss the best way to save for the next generation, contact Fish Financial for more information.

TRUSTS ARE A HIGHLY COMPLEX AREA OF FINANCIAL PLANNING. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TRUST ADVICE.

TAX LAWS ARE SUBJECT TO CHANGE AND TAXATION WILL VARY DEPENDING ON INDIVIDUAL CIRCUMSTANCES.

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.

GENERATION COVID-19

FINANCIAL SUPPORT TO YOUNGER MEMBERS AS A DIRECT RESULT OF THE PANDEMIC

The coronavirus (COVID-19) pandemic has led to more people supporting younger family members financially. New research shows that 5.5 million older family members expect to provide additional financial support to younger members as a direct result of the pandemic[1].

Of these, 15% estimate they will provide an additional sum of £353 in financial aid. The most common reasons given for the payments were to help cover household bills, rent payments, allowing them to move back to the family home or paying off debts. This equates to £1.9 billion being given to younger family members needing financial support.

REGULAR GIFTS

This COVID-19 specific support comes in addition to regular ongoing financial support provided by older family members. Over a third (39%) of young adults, around 3.3 million people, receive regular financial support from their older family members and depend on it to cover their monthly outgoings.

Older family members provide on average £113 a month, collectively giving £372 million to loved ones each month in the form of regular gifts. While the majority (31%) say they use monthly gifts to save for 'big ticket' items like a housing deposit, over a quarter use it to pay for everyday essentials (29%) and a similar number to pay their bills (27%).

FINANCIAL AID

Despite the significant sums handed out, 80% of older family members who gift money feel it is only natural to provide support to their younger relatives and are more than happy to do so. Of the 50% of adults who have received financial aid from a family member, many have sought further support during this year.

16% have utilised the government furlough scheme, 15% moved back to their family home to live rent free and 13% have taken out a one-off loan. The trend of younger family members moving back home is becoming more common, with the most recent data from the Office for National Statistics (ONS) showing that over the last two decades, there has been a 46% increase in the number of young people aged 20-34 living with their parents, up to 3.5 million from 2.4m[2].

GIFT MONEY

While the majority (62%) of those who give away money do so knowing they can afford to maintain their current lifestyle, the research suggests that selfless relatives are occasionally making changes to their own finances to meet the expense. Over a third (38%) of those who gift money to family members have made sacrifices in order to do so. While many (31%) reported cutting back on some day-to-day spending in order to gift money, a fifth (21%) admitted they struggled to pay some bills having helped out a loved one.

Most parents and grandparents will gladly help out when they can, but people are often making personal compromises to provide this support. Giving money to a family member has the potential to be a special experience, but the key is not to lose sight of your longer-term plan.

PROPERTY WEALTH

There is a risk that people could be underestimating what they need to fund a comfortable retirement, and therefore it's important to gift sensibly. Utilising property wealth, by either downsizing or using equity release, can often be helpful here as it allows the opportunity to give a living inheritance without touching your income.

These decisions aren't easy, and the tax rules mean gifting money can be complicated. When gifting, HM Revenue & Customs stipulates you must be able to maintain your current standard of living from your remaining income to take advantage of tax exemptions and there are tax implications for anything gifted over the £3,000 annual allowance. ■

'BANK OF MUM AND DAD' OPEN FOR FINANCIAL SUPPORT

Younger generations, who stand to be impacted most by the crisis, may need to call on you – the 'Bank of Mum and Dad' – for financial support. If this is the case you need to evaluate how any cash calls could impact your own retirement plans. To discuss any concerns that you may have, please contact Fish Financial.

Source data:

[1] Opinium Research ran a series of online interviews among a nationally representative panel of 4,001 UK adults between the 25 September and 3 October 2020

[2] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/families/datasets/youngadultslivingwiththeirparents

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