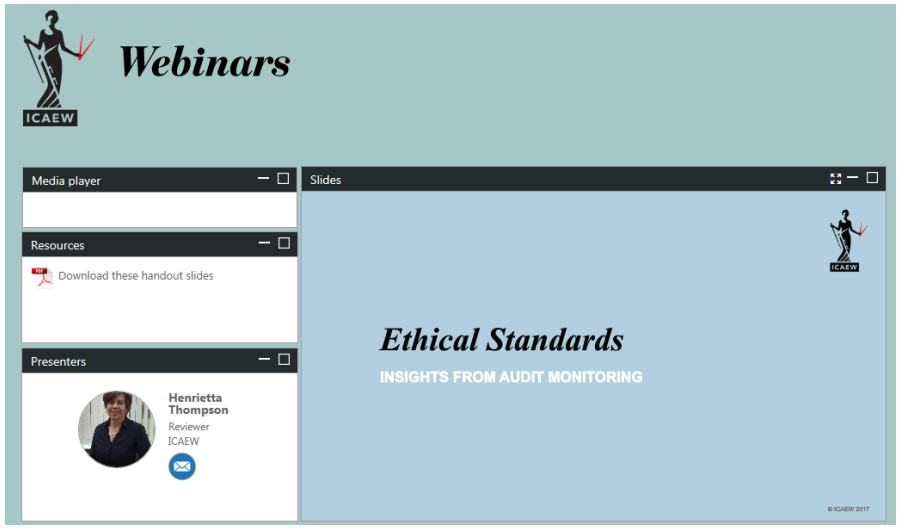
WealthCare: Personal Financial Planning Steps Through Your 30s and 40s

IN ASSOCIATION WITH MAZARS

FACILITATED BY JOHN GASKELL, HEAD OF PERSONAL FINANCIAL PLANNING, ICAEW

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Today's speakers



OLIVIA BUCHER

FINANCIAL PLANNER

MAZARS



JAMES ROBINSON

FINANCIAL PLANNER

MAZARS

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WEALTHCARE: PERSONAL FINANCIAL PLANNING STEPS THROUGH YOUR 30S AND 40S

Mazars & ICAEW
September 2020

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WHAT WILL BE COVERED

- Introduction to basic financial planning, tax & investment principles
- Understanding the financial planning needs and opportunities in your 30s and 40s
- How to protect your family and financial liabilities
- Understanding the various saving options and their interaction with your tax position
- Other top tips for your 30s and 40s
- Q&A

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KEY FINANCIAL PLANNING PRINCIPLES

James Robinson
September 2020

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THE BUILDING BLOCKS OF FINANCIAL PLANNING

1. Goals & Objectives
2. SMART Objectives
3. Cash Reserves
4. Repayment of Debts
5. Financial Protection
6. Will and Powers of Attorney

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GOALS AND OBJECTIVES

- What do you want your future to look like?
  - House purchase / early mortgage repayment
  - School fee & University funding
  - Early Retirement
  - ‘Getting by’ vs living your best life
- Prioritise - Needs vs Wants
- Short-term and Long-term
- SMART Objectives (Specific, Measurable, Achievable, Realistic, Time-Based)

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SMART OBJECTIVES

Common Objective	SMART Version
I want to remain financially secure.	To have the ability to spend £30,000 per annum for the rest of my life.
To repay my mortgage.	I want to repay my mortgage of £200,000 by the time I am 60.
To send my children to private school.	To fund private school fees of £15,000 per annum per child, from their ages 11 to 18.
To retire by the time I am 60.	To retire by the time I am 60 with a net income of £40,000 per annum.
For my family to be protected in the event of my death.	For my family to be able to spend £40,000 per annum in the event of my death, without my spouse going back to work.

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BUDGET FOR YOUR GOALS

- Review spending habits
  - Shortfalls & Surplus
- Anticipated changes to cashflow
- Plans for the future and assigning a cost – research
- Cash flow planning

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EMERGENCY RESERVES

- Emergency Buffer : Three to Six Months' of Expenses
- Review Interest Rates
- Beware of 'Hoarding' Cash – inflation vs interest rates
  - Financial Services Compensation Scheme (FSCS) Protection
  - £85,000
  - Per person
  - Per licence
- National Savings & Investments – treasury backed with competitive interest rates
- Term deposits and cash flows

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REPAYMENT OF DEBTS

- Rate of Interest
- Personal Loans
- Mortgage repayments – risk/tax free return vs liquidity
- Term to repayment
- Repayment method - interest only or capital and interest?

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PROTECTING YOUR FAMILY

- What needs covering?
  - Life Insurance
  - Income Protection
  - Critical illness Cover
- What is in place?
- What do you and your family need?

  It's not just for paying off the mortgage.
- Lump sum vs Income
- Personal / Workplace / Business Protection
- Trusts

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COMMON PROTECTION OBJECTIONS

- “It’s someone else that this happens to.”
- “The mortgage will be paid off, they will be fine.”
- “Get help from the family.”
- “It’s expensive.”
- “Life companies will try to not pay out.”

- Life Cover – 95% - 99% Payout on Claims for Providers
- Critical Illness – 90% - 94% Payout on Claims for Providers

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PROTECTION EXAMPLE

- John & Sarah are both 35 with two children. Both earn £50,000 per annum gross and aim to retire at 60. They have an interest only mortgage of £300,000. Their only cover is 4x Death In Service each.

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PROTECTION EXAMPLE

- John & Sarah are both 35 with two children. Both earn £50,000 per annum gross and aim to retire at 60. They have an interest only mortgage of £300,000. Their only cover is 4x Death In Service each.

Cover Reason	Need	Existing Cover	Shortfall	Cost to cover
1st Death	£300,000 lump sum	£200,000	£100,000	£11.73 p.m.
1st Death	£30,000 p.a. to 60	Nil	£30,000 p.a.	£34.24 p.m.
Long-term Ill x2	£30,000 p.a. to 60	Nil	£30,000 p.a.	£27.96 p.m. x2
Critical Illness	£50,000 lump sum	Nil	£50,000	£37.02 p.m.

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PROTECTION EXAMPLE

- John & Sarah are both 35 with two children. Both earn £50,000 per annum gross and aim to retire at 60. They have an interest only mortgage of £300,000. Their only cover is 4x Death In Service each.

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Critical Illness	£50,000 lump sum	Nil	£50,000	£37.02 p.m.

- Total cost is £138.91 per month – just 2.3% of net monthly income.
- One provider quoted £206.39 per month, or £20,238 over the term – benefit of shopping around
- Can flex cover depending on what is affordable (no CI, reduce income on 1st death, etc.)

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WILLS & LASTING POWERS OF ATTORNEY

- Ensure Wills are up-to-date:
  - Guardians for children
  - Laws of Intestacy (especially unmarried couples)
  - Family & Finance
- Lasting Powers of Attorney:
  - Health and Welfare
  - Property and Financial Affairs

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SUMMARY

- Set objectives
- Repay immediate debts
- Emergency Reserve
- Protected against death & disability

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THE BASICS OF INVESTING

Olivia Bucher
September 2020

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WHERE TO INVEST?

- Purpose
- Funding
- Timeframe
- Accessibility
- Tax-efficiency



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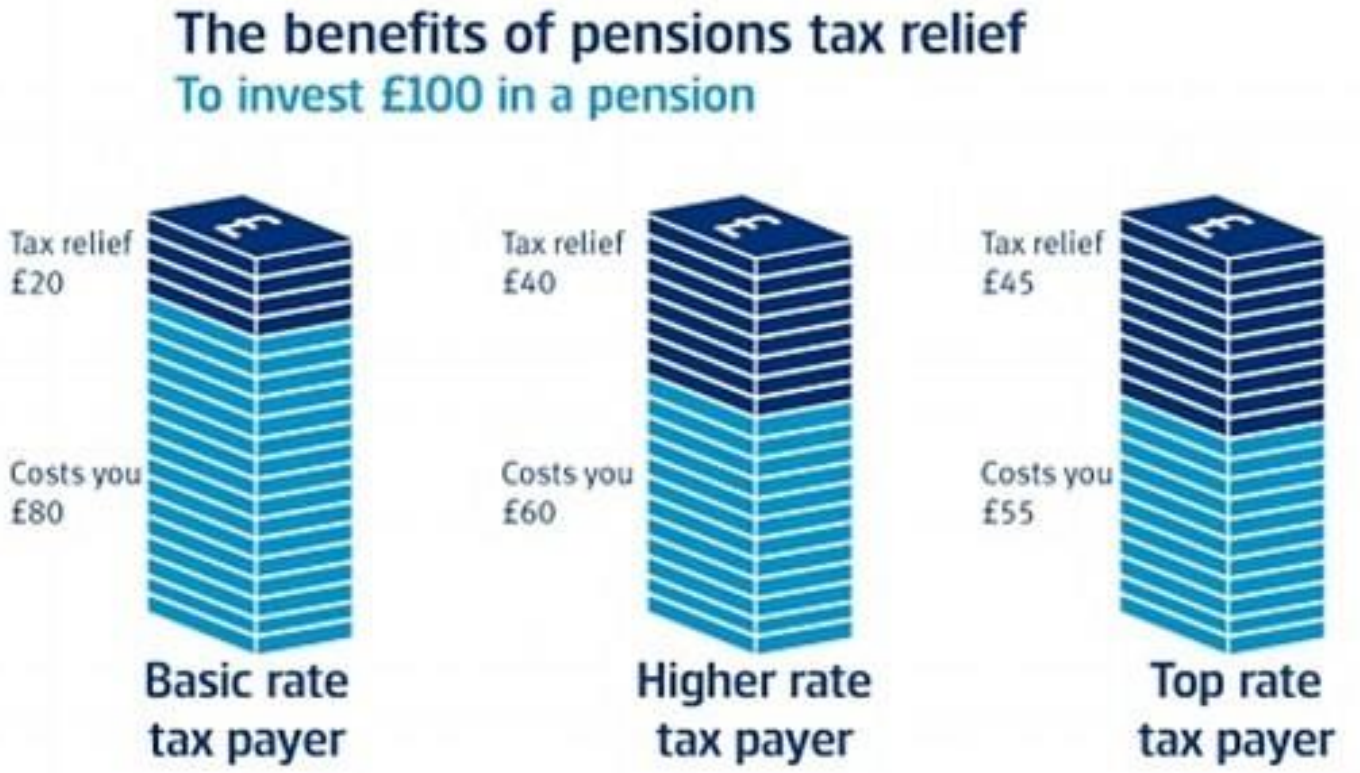
PENSIONS EXPLAINED

- More than a retirement provision
- Funding options
  - Employer / employee funding
  - Personal funding
  - Annual & lifetime allowances
- Tax relief & tax efficient growth
- Access age
- Pension Drawdown
- Normally IHT free

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PENSIONS TAX RELIEF



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BENEFITS OF PENSION CONTRIBUTIONS

Tax Position Pre-Retirement	Gross Contribution	Net Cost After Tax Relief	Net Benefit after TFC & 20% Tax in Retirement	Return on Net Contribution (%)	Net Benefit after TFC & 40% Tax in Retirement	Return on Net Contribution (%)
Basic Rate (20%)	£10,000	£8,000	£8,500	6.25%	£7,000	-12.5%
Higher Rate (40%)	£10,000	£6,000	£8,500	41.6%	£7,000	16.7%
Additional Rate (45%)	£10,000	£5,500	£8,500	54.5%	£7,000	27.2%

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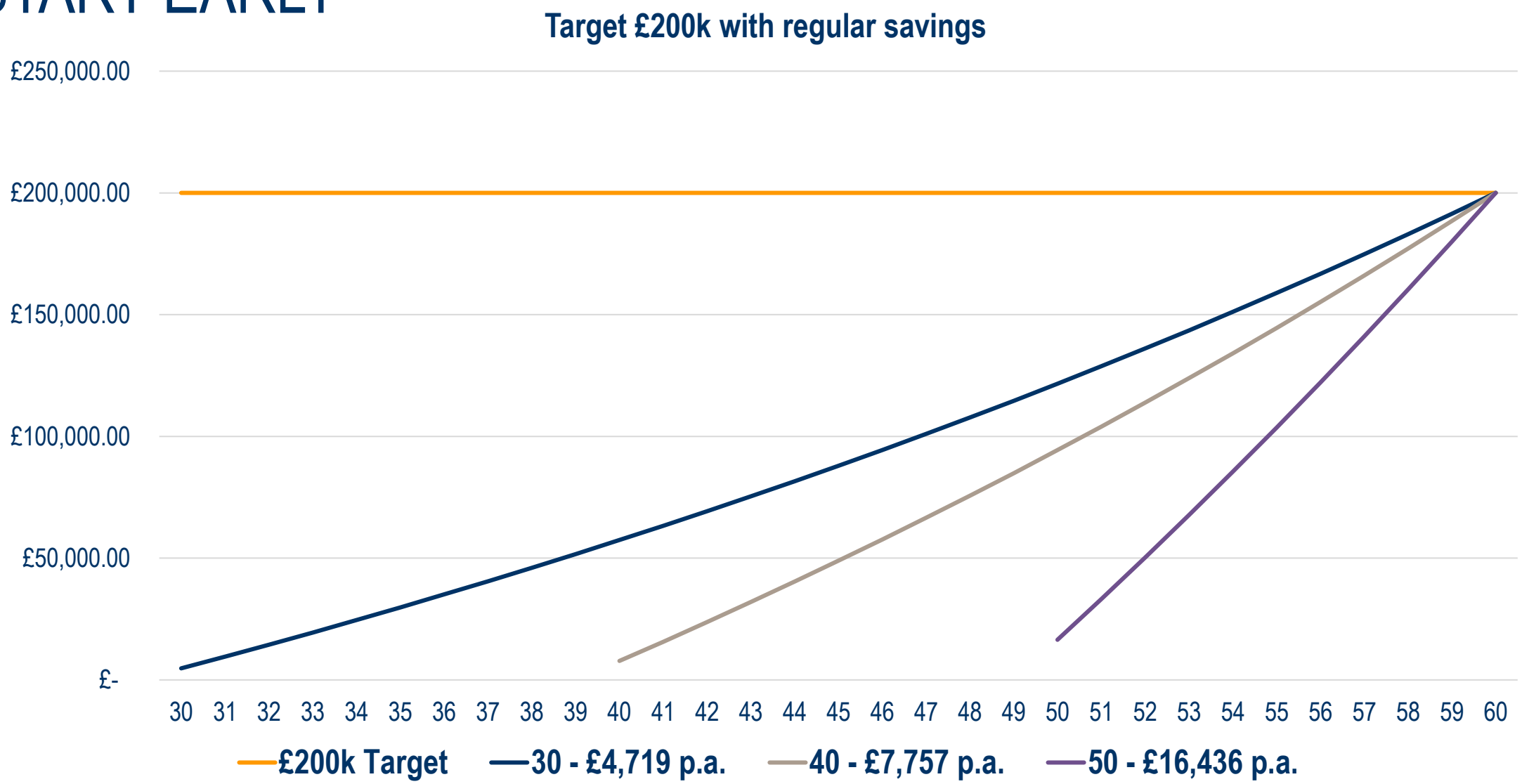
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DISPELLING THE MYTHS

- ‘The state pension will be enough’
  - 35 years’ NI contributions = maximum
  - NI credits during childcare
  - £9,110 p.a.
- ‘Sale / income of my property’
  - Lifestyle & Real Returns
- ‘I can catch up later in life’
  - Start now!

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START EARLY



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NON-PENSION INVESTMENTS OPTIONS

- Different Options for Different Goals
- Wrapped vs Unwrapped Investments
- Political Climate, Regulation effects availability
  - HTB ISAs, LISAs
- Investment on behalf of children & minors

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ISAS, LISAS, JISAS, …

- Wrapped Investment Products
- Annual allowance (2020/21)
- Tax efficient growth
- Flexibility
- Withdrawals
- Subject to Inheritance Tax

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INVESTMENT & TAX PLANNING

- Capital Gains Tax
  - Allowance & Rates
  - Tax Planning for Married Couples
- Income & Dividend Tax
  - Personal Allowance & Dividend Allowance
  - Tax Planning for Married Couples
  - Tax Planning for Parents

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THE UNDERLYING INVESTMENT

- Why invest?
  - Savings & Inflation-erosion
  - Inflation-proofing capital
- Dispelling the Myths
  - All investments are high risk’
  - ‘Everything I need to know is on the internet’
  - ‘I only invest in bitcoin’

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DISPELLING THE MYTHS



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DISPELLING THE MYTHS

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10 Years
REITs 35.1%	Emerging Mkts 33.1%	Bonds 7.6%	Emerging Mkts 68.9%	REITs 28.3%	TIPS 13.3%	Emerging Mkts 19.1%	Small Cap 41.0%	REITs 30.1%	REITs 2.2%	Small Cap 8.4%
Emerging Mkts 31.4%	Comdty 14.9%	Cash 2.1%	Small Cap 41.6%	Small Cap 27.2%	REITs 8.5%	Int'l Stocks 18.8%	Mid Cap 33.1%	Large Cap 13.7%	Large Cap 1.3%	Mid Cap 7.9%
Int'l Stocks 25.9%	TIPS 11.9%	TIPS -0.5%	Mid Cap 37.6%	Mid Cap 26.3%	Bonds 7.7%	Mid Cap 17.8%	Large Cap 32.2%	Mid Cap 9.4%	Bonds 0.5%	REITs 7.4%
Small Cap 17.0%	Int'l Stocks 9.9%	Mid Cap -36.4%	REITs 29.6%	Emerging Mkts 16.5%	Large Cap 2.1%	REITs 17.5%	Int'l Stocks 21.4%	Bonds 6.0%	Cash 0.1%	Large Cap 7.2%
Large Cap 15.6%	Mid Cap 7.1%	Large Cap -36.6%	Int'l Stocks 26.9%	Comdty 16.2%	Small Cap 1.1%	Large Cap 15.8%	REITs 2.3%	TIPS 3.6%	Int'l Stocks -1.0%	Bonds 4.3%
Mid Cap 10.0%	Bonds 6.7%	REITs -37.1%	Large Cap 25.9%	Large Cap 14.8%	Cash 0.1%	Small Cap 15.7%	Cash 0.1%	Small Cap 3.0%	TIPS -1.8%	TIPS 3.8%
Cash 4.9%	Large Cap 5.5%	Comdty -37.4%	Comdty 20.1%	Int'l Stocks 8.2%	Mid Cap -2.1%	TIPS 6.4%	Bonds -2.0%	Cash 0.1%	Small Cap -1.8%	Int'l Stocks 2.8%
Bonds 3.9%	Cash 5.0%	Small Cap -37.6%	TIPS 8.9%	Bonds 6.4%	Int'l Stocks -12.3%	Bonds 3.8%	Emerging Mkts -3.7%	Emerging Mkts -3.9%	Mid Cap -2.5%	Emerging Mkts 2.8%
Comdty 2.1%	Small Cap 1.8%	Int'l Stocks -41.0%	Bonds 3.3%	TIPS 6.1%	Comdty -14.0%	Cash 0.1%	TIPS -8.5%	Int'l Stocks -6.2%	Emerging Mkts -16.2%	Cash 1.3%
TIPS 0.2%	REITs -16.5%	Emerging Mkts -48.9%	Cash 0.2%	Cash 0.1%	Emerging Mkts -18.8%	Comdty -2.1%	Comdty -11.1%	Comdty -18.6%	Comdty -28.2%	Comdty -7.7%

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THE UNDERLYING INVESTMENT

- Diversification is Key
- Attitude vs Capacity for Risk
- Invest for the longer-term, protect the short-term
- Regularly reassess

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SUMMARY

- Start early
- Various saving options and your tax position
- Different investments for different goals
- Don’t follow the herd
- Getting it right, speak to a professional

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CONTACT

Olivia Bucher
Financial Planner - Sutton
Olivia.bucher@mazars.co.uk

James Robinson
Financial Planner - London
James.robinson@mazars.co.uk







Mazars LLP. London. Tower Bridge House, St. Katharine's Way, London
E1W 1DD

Visit us online at www.mazars.co.uk





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Q&A

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Upcoming PFP Events

SAVE THE DATE: Personal Financial Planning and Property Conference – 18th and 19th November, launching soon.

3-part webinar series in partnership with Tilney '*WealthCare: Tilney – Time to Talk*'. Part 2 on 6th October 2020 12pm, register through this link: https://events.icaew.com/pd/17837/wealthcare-tilney-time-to-talk-webinar-seri?txt=wealthcare&returncom=productlist&source=search

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