

# Making your financial resolutions long term

*15th January 2021*

Being a New Year, you may have made some Resolutions (which may already have changed after the recent lockdown announcement, so much for gym membership!). Therefore, why not consider a few Financial Resolutions instead. With the lockdown forcing us to suspend some of our short-term plans, now really is a good time to look at some of the longer-term plans. This is normally the time we remind you about financial matters such as getting your tax return completed by the end of January and ensuring you are using your ISA and pension allowances.

They are all very important but, after the year we have just had in 2020, why not take a moment to think a little more broadly about what you are trying to achieve with your money. Rather than simply just adding to your investment portfolio or managing your tax affairs, can we suggest you also consider the five points below. Some may not relate to you or you may already be doing all that we suggest. But in our experience, as we enter a new year, now is a good time to consider your own 'direction of travel' as it were. Like any journey, things are a lot easier if the route is planned in advance.

## **How much income do you actually need in retirement?**

Note the language here. We aren't suggesting a retirement date or an age or a total value of your assets. If you are already retired, we aren't looking at how much you take at present. What we need to think about is exactly what are your long-term income requirements and what assets drive that income.

If you haven't yet retired, try and think about how much you may need in retirement. There will probably be no mortgage payments, no children to feed and clothe, no work costs such as travel. However, whilst your day-to-day costs may reduce, there is a chance for more holidays, more trips out, more pastimes to pay for. For those in retirement, there are issues such as potential Long-Term Care to consider. Once you have considered this, do feel free to discuss your ideas with us.

## **How well is my family protected?**

Whether you are still working or retired, protection is crucial. We all recognise how important it is to plan for the good things, but it is just as important to plan for when things go wrong. We often tend to think about protection as simple life cover. A lump sum that is payable when you die. But what about the other instances? For those in work, there may be times when you are unable to work due to serious illness or injury. Thankfully, few people

get seriously ill during their working lives but when they do, it's devastating. We all think about what happens if we get a serious illness and die. But what if we get a serious illness and survive? For those who have retired, your protection may be linked to your Long-Term Care or Inheritance Tax planning.

As with all Insurance, a balance must be sought between cost and benefit. All we encourage you to do is have a sensible conversation about the risks involved. The percentages of people being affected may be small, but the impact can be shocking.

### **Is your Will up to date?**

If you were to die without a Will, you would be said to have died "intestate". What this means is that your estate will be distributed according to the rules of intestacy and unlike popular beliefs, this does not mean the whole estate passes to your spouse. However, it is not only important to have a Will, but to ensure that it is kept up to date, especially with the recent changes in IHT concerning your main residence. Finally, do you know where it is? And much more importantly, do you know your executors? We have too many conversations with solicitors concerning the inability to locate a Will.

You should also take the opportunity to consider your digital legacy. Will your executors be able to find all your online accounts? What about your online presence such as Facebook and Email? What happens to the information that is stored there?

### **Have you got a Lasting Power of Attorney (LPA)?**

This is a difficult conversation to have, but in our experience, a Lasting Power of Attorney is one of the most important documents available. It allows you to choose people to act on your behalf should you later begin to lose your ability to manage your personal affairs because of physical or mental incapacity.

It takes effect, if need be, during your lifetime and is completely separate from a Will. Creating an LPA gives you the reassurance that you know who will make decisions for you, should you be unable to make them yourself. That person will be someone you know and trust to act in your best interests. Having an LPA in place saves considerable expense and time, should your family later need to make decisions for you.

### **Your succession plan.**

Your plan doesn't just involve you. Most people recognise that there will be a legacy to be distributed upon their death. However, if we all wish to leave something when we die, why do we have to wait until we die? Naturally, care must be taken when distributing assets whilst you are still alive, as you may have a future requirement for them, but with careful planning and support, you can not only ensure that you provide support for your family, friends, or charitable project, but you can also gain enormous pleasure from seeing the difference that you make. Finally, you may also be able to mitigate a large Inheritance Tax bill for your loved ones.

It may be that only some of these suggestions directly affect you, or you may be impressively organised and have them all up to date. Getting these financial matters dealt with means that you can relax in the knowledge that not only are your affairs in order, but you have a clear direction of travel.

If you have any questions, please do contact us, or raise them at our next review meeting. Our aim is to make your life journey as uncomplicated as we can. The assets you have should be there to help you with that journey, rather than simply just being an amount of money that you have, that goes up and down.

Ask yourself, do you want to know how much your money is worth, or how much it is worth to you?