LIGHTHOUSE
FINANCIAL ADVICE

boundless
BY CSMA

GUIDE TO SAVING FOR YOUR FINANCIAL FUTURE

CONTENTS

FINANCIAL PEACE OF MIND – WE CAN HELP YOU MAKE IT HAPPEN!

Doing nothing is why many people struggle to make ends meet. Granted, dealing with financial issues can be daunting. Do you know how you would pay your bills if you fell ill or were made redundant? Or if your pension will give you enough income when you retire? Or how you could help your children or grandchildren financially? But these things have to be faced. And talking them through face-to-face with one of our professional financial advisers will set your mind at ease.

We are the Boundless approved provider of financial advice to members and their families. Boundless chose us because we understand the financial issues local government and other public sector workers face and have extensive experience in advising on local government and other public sector pension schemes. Backed by the extensive knowledge and experience of Lighthouse Group, one of the best-respected financial advice companies in the UK, our advisers provide advice on all main areas of financial planning, including:

- **Pensions**: we help you take control of funding your retirement. We will explain what provision you already have and how you could supplement it, depending on your occupation.
- **Insurance and protection**: having policies in place so you and your family don't suffer financially should the worst happen.
- **Drawing your pension**: taking advantage of the various options available to you so you can enjoy a comfortable retirement.
- **Savings and investments**: putting your spare cash to good use to build and conserve your wealth efficiently.
- **Mortgages and borrowings**: many people pay more than they need to. Are you one of them?

Call 08000 85 85 90 or email appointments@lighthousefa.co.uk to arrange a complimentary, no obligation, initial appointment with one of our professional financial advisers.

USING YOUR MONEY TO LIVE THE LIFE YOU WANT

You work hard for your money – but is your money working hard for you? The money you earn and have accumulated is what gives you and your family the freedom to live your lives the way you wish, now and in the future.

What would you like to do with yours? Maybe you want to pay for a family celebration in five years' time or would like to be financially independent by the age of 55. Maybe you want to enjoy your wealth now while you can, or is your ambition to pass on as much as possible to future generations?

You may be surprised how, with a little thought, patience and planning, you can turn some of your dreams to reality, whatever your circumstances and stage in life. This guide gives you some ideas and tips for working out what your financial priorities really are and how to organise your finances accordingly.

We know it's a cliché but life is a journey. When you are starting out in working life in your 20s you may well have little idea about what you will want from life as you get older and where you will end up. Even if you do, your priorities are likely to change as your life evolves. On the next two pages we look at what you might want from life as you progress through it and how you can use your money to achieve these things. We then explain how you can work out what your priorities really are and ways of making your money work hard for you, including making good use of the various tax breaks the government offers to encourage us to take control of our financial futures. We also look at how to save for financial independence. This may seem like a dream but in reality it is what you have achieved when you can afford to stop working.

Finally, because life has a habit of throwing the unexpected at us, we explain how to protect your and your family's finance and how changes to your life can have important financial consequences.

We hope you discover that saving for your financial future is easier, less restrictive and more rewarding than you thought. So start dreaming ... and turning your dreams into reality.

STARTING OUT

These are exciting times: you are starting out on your chosen career, moving into your own place, and enjoying your independence. The whole of your adult life lies ahead of you and, quite naturally, thoughts of financial planning are probably far from your mind. In fact you may not have much disposable income once you have paid the bills, with the little that is left over quickly disappearing on going out, holidays and a few treats.

Yet by taking a few simple steps now, you can put in place solid foundations for your financial future, which should make things easier financially as you progress through life.

Pension contributions

Retirement may be the last thing on your mind, but the earlier you start building up your pension fund the better. Depending on your job, you may already be part of a workplace pension scheme to which your employer contributes. We can explain how this works and advise you on making additional contributions. Contributions benefit from tax relief, making them one of the most cost-effective ways of saving.

Savings and investments

Paying even a small amount each month into a suitable savings account or fund can build up a reasonable nest-egg surprisingly quickly – just what you need to pay the deposit on your first property, or for the honeymoon of your dreams. Talk to us to find out which funds suit your time-scale and attitude to risk, and whether you should opt for an ISA, created by the government to encourage us to save – you won't have to pay any tax on income you take or on any growth when you cash it in.

BRINGING UP CHILDREN

Starting a family changes your life, bringing joy and new responsibilities. Your priorities and outlook change. You may now need a larger home, putting yet more strain on already over-stretched finances. You will want to give your children the best possible start in life, yet things are hectic, especially if you are juggling work and family life.

Making a few adjustments to the way your finances are organised can help you relax and enjoy these precious years when your children are young.

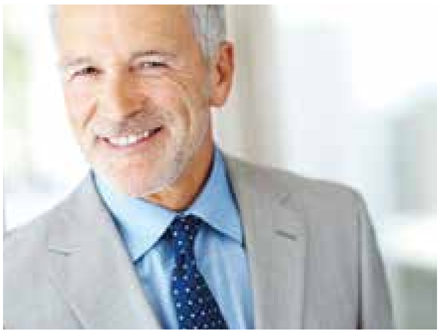
Savings and investments

You may not have much disposable income, yet if you want to send your children to private school or help them through university, or if you would like to move to a bigger home you should start saving now. If your income is regular, then try and make monthly contributions to a suitable fund. If you receive a bonus then you may prefer to make a lump sum contribution. We can help you work out how much you need to save and recommend funds suitable for your objectives and the amount of risk you are willing and able to take. Using tax-efficient products such as ISAs, which the government created to encourage us to save, can help your money grow faster.

Pension contributions

You should by now already be making regular contributions into a workplace pension scheme or an additional pension plan – or both. Even though you may be feeling the strain financially, making additional payments will help ensure your pension planning stays on target. Your options for doing this will vary, depending on your career and income. We can recommend suitable ways of boosting your pension pot.

APPROACHING RETIREMENT



Financially, things should be a bit easier now. Your children are probably independent and you may already have paid off your mortgage. You like the thought of taking it a bit easier, having more time to do the things you enjoy, perhaps even working part-time or retiring early. Hopefully, you are still in good health, but you may have the worry of caring for elderly relatives.

Your main priority is likely be to preserve the value of your pension fund, investments and any money you have inherited, so you have enough to maintain your lifestyle when you retire.

Pensions and retirement

You would like to retire early, but can you afford to? What impact would this have on your assets, including those outside your pension? Even if you are retiring at the normal age you should check your pension and obtain projections to ensure you are on track. If not, can you make additional contributions? How are your funds invested and are they performing as expected?

Are you reaching the maximum amount you can hold in your pension fund without having to pay a higher rate of tax when you start taking money out of your fund? Should you access your fund when you turn 55, for instance to pay off your mortgage?

Savings and investments

It may be the time to take a more cautious approach, for instance restructuring your investments to produce income – if you don't need the extra income now you can simply reinvest it, potentially further boosting your wealth. Typically, income from your pension is taxable, so check that your investments and savings are as tax-efficient as possible.

IN RETIREMENT

At last your time is your own to do all those things you always wanted to do but never quite got round to – travel, learn a new skill (or relearn an old one), help others and indulge yourself.

By securing your finances now you will be able to relax, knowing that you have enough income to enjoy a long retirement. Whatever your situation, we will recommend ways of maintaining your lifestyle through retirement and meeting any unexpected future needs. After all, the last thing you want is to be worried about money as you get older.

Drawing your pension

If you are not in a defined benefit scheme, or if you are and you have additional pensions based on defined contributions, you have far more flexibility now over how you take your pension. However, deciding how to secure the income you need for the rest of your life is one of the biggest decisions you will ever have to make. Once you have made your decision it may well be impractical to change it and making the wrong decision could have costly and far-reaching consequences.

Savings and investments

Income will probably be your priority, so make sure your investments are generating as much as possible. However, you may also want to make sure they maintain their value as well, in case you need extra money in the coming years or so you can pass on more to your family.

Paying for long-term care and passing on your wealth

Most people would like to pass their remaining wealth on to their family, but unless you protect your wealth, including your home, this may not happen. A professional financial adviser can explain how you can make provision to pay care home fees, so you don't have to sell your home to pay for them. They can also explain how to pass on as much of your wealth as possible.

SPEND NOW, SAVE NOW!

Do you prefer to spend your money now rather than save it? Yes, so do most people but spending all your money now means that the chances are you will have less to spend – and therefore limited choices – later in life. After all, you can only spend money once.

Striking a balance between spending and saving is not as difficult as it seems and you won't necessarily have to sacrifice things you enjoy now. Having a plan doesn't have to be restricting. On the contrary, it puts you in control of your financial future. Here's what you need to do.

It may seem obvious, but spend less than you earn. Work out your monthly income: this includes your salary or wages, any maintenance or other regular payments, interest from savings and income from investments. Only include regular income that you know you will receive.

Track how much you spend

Write down how much you and your household spend and on what. Include everything, from your mortgage and insurance to a sandwich at lunchtime and a drink after work. Check it weekly – it will be less daunting than doing it monthly. You will soon start noticing fluctuations in the amounts you spend on regular purchases – work out why they have increased or decreased.

Limit regular payments

Some regular payments are essential, for instance council tax and utility bills. However, the more that goes out of your account each month automatically, the less you have to spend on items of your choice. Do you really need those subscriptions, even if they only cost a few pounds a month each?

Work out what is important to you

Deciding what you really want will help you spend less on things that could prevent you achieving that. So, for instance, if you want to have enough for the deposit on your first home or you would really like to take a year off when you hit fifty, you may find that eating out so often becomes less important to you.

Make your progress visible

Think of the amount you are going to save as an expense. Don't wait to see how much you have left over at the end of the month. Set up a regular payment to transfer a fixed amount each month to a savings account. As well as making sure that you do actually save, this also makes it easier to check on your progress.

Allow yourself some fun

Your monthly expenditure should include some "fun" money, for you to spend on whatever takes your fancy. That way you won't be tempted to dip in to or "borrow from" your savings.

These are some common goals of people in their 20s and early 30s. What are yours?

"Save enough for the deposit on my first property."

"Travel the world before I am 30."

"Pay for our honeymoon."

MAKING YOUR SAVINGS WORK HARD

It's all very well putting money aside, but where precisely are you going to put it? A standard deposit account may seem like the safe option, but with interest rates at all-time lows, your money will grow painfully slowly and could end up being worth less in real terms once you take inflation into account. Here we explain how you can make your savings work hard for you.

The whole point of saving money is to make it work hard for you, so that even a small amount each month has the chance to grow into a sizeable amount over time. This can happen through an increase in the price (value) of the assets in which you are invested. It can also happen through what is known as compounding – and the longer your money is invested the more you can benefit from it. Compounding is quite simply when the money you invest generates income or interest which is then added to the original amount (re-invested) and you then earn income or interest on this larger amount, which is then re-invested, etc, etc. This is considered to be one of the best ways of building wealth over 10 years or longer.

Putting your savings into stock market investments is more likely to be a sensible choice if you are saving for the longer term and gives you the potential for capital growth and income or interest. However, unless you have plenty of time and the detailed knowledge required to research appropriate investments, you should ask a professional financial adviser to recommend suitable funds.

Reducing risk

Stock market investments are inherently risky – the value of stocks, shares and funds can go down as well as up – but there are ways of reducing risk. One is by not buying individual stocks, shares, bonds or other types of investments directly. Most people put their money into one or more investment funds that then invest the pool of investors' money across a broad range of types of investments. This ensures that you do not have all your eggs in one basket.

Another is by choosing investment funds that are managed in a way that suits your attitude to risk. Some people are more willing or can afford to take more risk than others. Your financial adviser will help you work out your risk profile and can then recommend investment funds that match it. Your risk profile may change with your age and circumstances. Your financial adviser will review it with you regularly.

The type of investment funds your adviser recommends will also take into account your financial objectives. For instance, the funds he or she chooses if you are young and keen for your savings to grow are likely to differ from those he or she would choose if you are retired and you need income. Over time some may go up and others go down. This could make them more (or less) risky and could reduce the overall likelihood of them achieving your objectives. This is why your adviser will assess your investments at regular intervals, and if necessary will make adjustments to bring them back in line with your original plan. This is known as portfolio rebalancing.

These are some common goals of people with young families. What are yours?

"Move to a bigger house, with a bigger garden."

"Be able to afford to help my children through university."

"Know that my family is financially secure."

"Take a year off work when I turn 50."

MAKING YOUR MONEY WORK EVEN HARDER

While everyone should pay their share of tax, there is no reason to pay more than you are expected to. In fact, the government actively encourages us to take advantage of legitimate tax-efficient savings accounts to build long-term savings. Some ways of reducing tax are fairly straightforward and can be low risk. Others are more complicated and high risk.

As a rule of thumb no investment should be made purely because it reduces tax – it should also be a sound way of making your money work harder in its own right. Depending on your goals, how much you can save and your time-scales, you will probably want to start by making use of pensions and ISAs.

Pensions

If you are a civil servant or work in the public sector you are probably a member of a defined benefits pension scheme based either on your final salary or career average earnings.

Making contributions to your pension fund is the most tax-efficient way of investing, as contributions benefit from income tax relief at your highest rate. You may therefore want to make additional voluntary contributions (AVCs). Alternatively, you could start a personal pension plan. There is no tax on any growth within the fund and, unlike your public sector pension, you can pass on assets remaining in a pension fund free from inheritance tax.

However, there is a limit on the total amount you can hold in pensions without paying a higher rate of tax when you access the fund. As a result, wealthy people who want to maintain their income at pre-retirement levels usually need to supplement their pension income with income from other sources.

ISAs and tax-free benefits

If you have used your full annual pension contribution allowance or your lifetime pension savings allowance, or if you want to be able to access your money before you turn 55, you could consider investing in an individual savings account (ISA).

ISAs do not benefit from tax relief on contributions but there is no tax to pay on any growth or income you take from them. They offer more freedom than pensions, as you do not have to wait until you reach the age of 55 to access your money. By investing your full ISA allowance each year in carefully selected funds you could, over time, amass a sizeable portfolio to enjoy tax-free later in life. Many people use them to supplement their pension provision. Your spouse can inherit your ISAs (or to be precise a one-off ISA allowance equivalent to the value of your ISA holdings) when you die, free of inheritance tax. If you are leaving your ISAs to someone other than your spouse, you could consider investing them in a way that makes them exempt from inheritance tax, although this involves investing in higher risk funds and so may not be suitable for you.

These are some common goals of people whose children are young adults. What are yours?

"Pay university fees."

"Help our children buy their first property."

"Buy a second home."

"Top up my pension fund."

"Retire earlier rather than later.".

FINANCIAL FREEDOM

You may not think of yourself as someone of "independent means", yet this is exactly what you have to have achieved in order to stop working. If you haven't accumulated enough money, whether through pensions or other investment, to be financially independent when you reach your official retirement age you will quite simply have to continue working.

Your retirement income is probably the most expensive thing you have to pay for during your life apart, perhaps, from your house.

You may think that your workplace pension scheme will provide you with the income you need when you retire, but that is no longer necessarily the case. If you want to be able to retire comfortably at normal retirement age you need to take responsibility for ensuring that you have saved enough money – no-one else will.

This may sound daunting, especially if you are struggling to make ends meet or are already saving for other things. Yet, whether you are 20 or 50, there are things you can do to achieve financial independence. As a general rule of thumb, if you start saving for retirement in your 20s you need to save at least 10% of your income each year, but if you leave it to your 40s you will probably find that you need to pay in 20% of your income each year.

Rather than guess, you should work out what you have already accumulated, how much income this might give you when you reach retirement age and how much income you are likely to need to be financially independent. Then you will be able to work out whether you need to save more. It is best to ask a financial adviser to help you work out these figures, as calculating them is complex and you need to make sure they are as accurate as possible.

If you do need to save more, in most cases you should consider making additional contributions into your employers' scheme or a personal pension. You pay contributions out of taxed income but the government tops up your contributions by the amount of tax you paid on them. For instance, if you are a basic rate taxpayer, for every £80 you pay in the government pays in an additional £20.

Check your pension at least once a year. If you have personal pensions or are a member of schemes that are based on defined contributions (ie which are not based on defined benefits such as final or career average salary), perhaps from previous jobs, you should make sure that the funds are invested in a way that matches your objectives (see making your money work hard section). To do this you should consult a professional financial adviser.

These are some common goals of people approaching retirement. What are yours?

"Retire early."

"Pay off the mortgage."

"Have enough income to enjoy life when I retire."

"Travel the world."

"Help my elderly parents."

LIFE-CHANGING EVENTS

You will probably go through a number of life-changing events, hopefully mostly for the better, although few of us get through without some unhappy ones. We inevitably get caught up in the emotions and practical issues these events throw at us. But major changes tend to have financial consequences. So when something significant happens, make sure you check your finances and make the adjustments you need to.

Getting married or living together: living alone is generally more expensive than living together. Things to review at this exciting time include your Will, pension arrangements and investments, together with life and critical illness insurance. Review your joint income and expenditure and agree a plan. You may find that jointly you have more spare cash. Time to start planning to make your dreams happen!

Bringing up children: your income may fall and your outgoings will certainly increase – for around 18 years or so. You will want to provide your family with financial security so it is important to review your Will, make sure you have enough life assurance to protect the family's finances and maybe start saving for school or university fees.

Death of a spouse or parent: this is a difficult time, when it is important to consider the financial impact of the death on remaining family members, ensuring they are financially secure and that money is invested appropriately and tax-efficiently.

Promotion or changing jobs: you should check whether your pension contributions, income protection insurance, death-in-service and other employee benefits have changed and are still adequate. If they are not you may want to take out personal policies to replace them.

Retiring or starting to use your pension fund: if you are a member of a defined benefit scheme you should probably accept the pension you are offered. However, if you are a member of a defined contribution scheme, you need to consider your options. Should you take a tax-free lump sum? Should you buy an annuity or keep your pension invested in a way that generates the income you require? What will happen to your pension when you die? You may want to generate additional income from your investments. This is also a good time to sort out inheritance tax planning.

Moving abroad: you need to consider what will happen to your UK pension. You may need to revise your inheritance tax plans, depending on where you are going. If you have investments you need to decide where they should be invested.

Going into care: not only might this be traumatic – it is also very costly. You need to make sure you are claiming all benefits, and then take specialist advice about funding any shortfall. Can investments be used to generate additional income? What are the options for the family home? Is the Will of the person going into care up-to-date and is a Power of Attorney required?

These are some common goals of people what are retired. What are yours?

"Downsize to a smaller home."

"Travel the world."

"Maintain my income throughout my retirement."

"Pass on my wealth."

MAKE THE MOST OF A WINDFALL

You can always dream about winning the lottery, but in reality you are more likely to receive a more modest, but nonetheless welcome, financial windfall at some stage in your life.

This could be a lump sum redundancy payment, an inheritance, an insurance payout, perhaps following an accident or illness, or the tax-free lump sum you can choose to take when you are able to access your pension.

Irrespective of where it comes from, you can put that money to work for your financial future. The first thing to consider is paying off your debts, such as credit cards, unsecured loans and your overdraft. It might also be advisable to reduce your mortgage, although you need to make sure that your lender won't charge you substantial fees if you do this.

If you don't already have an emergency fund of around three times your monthly income, put any remaining money towards one. Shop around for competitive rates on instant access savings accounts.

If you still have money left, you should consider sheltering it from tax by either making additional pension contributions or using your ISA allowance, over one or more years. You need to make sure that you do not invest more than your annual allowances for ISA and pension contributions, that you remain within your lifetime pension savings allowance, and that you choose suitable investment funds for your money (see making your savings work hard section).

Above all, make the most of your windfall. It may help you change your life. It could give you the chance to retrain and make that career change you have always wanted but never felt you would be in a position to make, or to take the year off you promised yourself but could never quite afford.

PROTECT WHAT YOU HAVE

You probably rely on your ability to continue earning a reasonable and hopefully increasing income to pay for the lifestyle you enjoy.

You may well also rely on it to save for your financial future, for instance to fund your pension contributions and you may possibly even make regular savings from your income.

So how would your life, and that of your family, be affected if for some reason your income stopped?

Having suitable insurance won't help you and your family through the emotional distress, but it should mean that no one has to worry about financial matters.

How much do you need to cover the basics?
The starting point is to assess the financial risks you and your family face if certain things were to happen, taking into account your personal and financial circumstances and priorities. What would you and your family live on if you were unable to work for any length of time because of an accident or sickness, or if you are made redundant, or worse still, if you die? You or your family would still have to pay the mortgage, gas, electricity, food and other household bills and possibly also other major items of expenditure such as school fees.

Once you have worked out just how much your family would need to live comfortably should the worst happen, you should take out insurance that pays a lump sum or regular income when certain things happen, for instance if the person insured is diagnosed with a serious illness, is unable to work because of an accident, is made redundant or dies.

Different insurance covers different things – make sure your family has suitable cover
Depending on the insurance you have taken out and what has happened, it could enable you to pay off the mortgage, rather than being forced to sell the family home, to continue paying the school fees, as well as covering everyday living costs.

Some types of insurance provide a lump sum while others provide regular payments, usually for an agreed length of time. It is important to choose the right ones and a professional financial adviser can help you work out the type and levels of cover you need.

WHEN THINGS DON'T GO ACCORDING TO PLAN ...

Life doesn't always run smoothly. Most people experience at least one unexpected event during the course of their life. As well as being emotionally devastating, these events can have a serious impact on your financial situation.

When things go wrong it can be difficult to see beyond your immediate predicament. Yet life moves on. We can help you get back on track so that when the dust settles, you can still realise your longer-term goals.

Divorce

Making sensible financial decisions during this highly emotional time can help both partners get back onto a sound financial footing and protect the interests of any children. You need to think about:

- whether to sell the family home or buy out your partner and take out a new mortgage
- pension issues, including pension splitting or sharing and setting up a new pension
- investments, including separating any joint investments
- protecting your new lifestyle and that of your children.

Redundancy (compulsory and voluntary)

If you are being made redundant you will need to review your finances, including:

- Making the most of any lump sum you receive – do you need income or growth?
- What happens to your pension scheme? Can you continue to make payments?
- Is your family still protected should you fall seriously ill, or worse?
- Have you lost any employee benefits, such as private medical insurance, or life assurance? If so do you need to replace them?

Not in the best of health?

This need not be completely bad news – if your health is considered to be below average when you retire you may be able to secure a higher income. A professional financial adviser will ask you a few simple questions to see whether you might qualify.

Accident, serious illness or worse

You need to think ahead: the last thing you would want is for you and your family to worry about money when they are already having to deal with the consequences of an accident, serious illness or worse. You should take out insurance that replaces income for the benefit of your household and family.

ABOUT LIGHTHOUSE FINANCIAL ADVICE

We are one of the largest providers of expert financial advice in the UK. Tens of thousands of people around the country rely on our advisers to make their money work harder.

Our success is built both on the quality of our advice and on our strong local presence. Between them, our 150 or so advisers cover all areas of the UK, so there's likely to be one near you. He or she will meet you wherever suits you best – at home, at work, or at a suitable local venue. Alternatively, if it is more convenient, they can phone or Skype you.

As well as providing expert financial advice to individuals in all walks of life, we work with major employee organisations and affinity groups, providing personal financial advice to their members. Each year we:

- run more than 1,190 workplace seminars and surgeries for members of major organisations
- conduct more than 16,500 personal financial consultations.

Lighthouse Financial Advice is part of Lighthouse Group plc, a company listed on the Alternative Investment Market (AIM), which provides financial advice to personal and corporate clients through more than 450 specialist advisers located throughout the UK. Our advisers benefit from the extensive resources and expertise of Lighthouse Group. This includes investment research and best practice, and specialist knowledge on pension transfers, funding long-term care, releasing equity from your home, mortgages, workplace pensions, and employee benefits. Advisers may therefore call upon specialist colleagues to resolve issues about which they do not have the required depth of professional knowledge.

Lighthouse Group, which has an excellent regulatory record and is financially robust, had an annual turnover of £48.9 million in 2015.

TAKE THE NEXT STEP

Why wait? Call us now to book your complimentary, no obligation initial consultation on 08000 85 85 90 or email appointments@lighthousefa.co.uk.

Important information

Please note the following risk warnings:

- **The value of your investments and the income you receive from them can go down as well as up, so you could get back less than you invested.**
- **Tax advice which contains no investment element is not regulated by the Financial Conduct Authority.**
- **A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.**

Making your money work harder

www.lighthousegroup.plc.uk/affinity/boundless

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