BRI Wealth Management PLC

The complete guide to a younger person's finances

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Introduction

Whether you are a young professional or a student or if you are just starting out in your career post studies, your finances are not necessarily at the forefront of your mind. You are likely ensuring that you have enough to meet your short-term needs and potentially saving for your next holiday or buying your first home.

However, by taking control of your finances at an early age and by improving your financial awareness and financial literacy, you can secure a brighter and more prosperous future. It's never too early to start building a solid foundation for your financial future; and the sooner you start to think about your tomorrow, the more prepared you will be for whatever life may throw at you in the future.

This guide aims to hold your hand through what many people would think of as the complicated world of personal finances. We will look to cover key areas that are important and provide you with some tips as to how to navigate the start of your financial journey.

Why start to think about your finances now?

Thinking about your finances at a young age is a great way to set yourself up for a successful future. By starting early, you can develop good money management habits, build a strong foundation and avoid common financial pitfalls. Plus, it's never too early to start saving for important goals like education, buying a home or even retirement.

The results of building a strong understanding and taking control of your finances now can mean that you're more secure in the future and this can open new doors and opportunities.

How taking control of your finances early can transform your future

Financial Literacy

The first step towards taking control of your finances is to build your knowledge and understanding of your personal finances, which will allow you to make informed decisions about money management. There are many benefits of enhancing your financial literacy, such as:

- Improving your understanding of financial products and services. This means that you will be better equipped to evaluate them. Whether it's choosing the right credit card, understanding the benefits and consequences of taking out a loan, or assessing investment opportunities, improving your understanding will enable you to make wise financial choices.
- Learning about budgeting, investing, and saving to make informed decisions. These are all key components of ensuring that you have a solid financial foundation, helping you to sleep at night as well as having the opportunity to fulfil future goals and aspirations.
- Gaining control over your financial situation. This is one of the greatest advantages of improving your financial literacy. You will learn how to create and stick to a budget, track your expenses and manage your income effectively. This newfound control allows you to make conscious decisions that align with your goals and values.

Establishing healthy financial habits

Whilst it is sometimes difficult to know whether you are making a wise financial decision, it is often far easier to make a poor decision - whether this be buying one too many rounds at the pub, overextending your budget on your car finances or booking one holiday too many. Whilst in the moment these all seem to be enjoyable choices, they are often decisions that in hindsight you will come to regret.

By establishing healthy financial habits at a young age, you will cultivate good money management habits that will serve you throughout your life and allow you to enjoy life to the fullest.

This can be done through creating a budget to track your income, expenses, and savings, as well as developing the discipline to resist unaffordable spending and falling into debt. Healthy financial habits will ensure that you remain on the right track without missing out on what you want to do.

Building a safety net

Unfortunately, the unexpected can happen. These unforeseen circumstances could include job loss or a medical emergency; so you should consider how your finances would cope if you faced a short-term shock.

An emergency buffer or savings pot to handle unexpected expenses can provide peace of mind over the long term.

Whilst your earnings may be far short of your peak aspirations, by starting early and through saving little and often you will be able to protect yourself and your loved ones.

Capitalising on long-term investment opportunities

Getting ahead of the game and investing into a diversified range of high-quality assets from a young age can bring a range of benefits and set you up for a brighter financial future.

- Take advantage of compounding interest by starting early.
- Invest in the stock market, bonds and property to grow your wealth over time, allowing your money to work for you.
- Enjoy the benefit of time working in your favour. Due to the length of time that your monies will likely be invested for, you are able to withstand a higher degree of volatility and have a higher risk tolerance with your investments, meaning that you could take a higher level of risk with your investment selections. Taking a higher degree of risk and taking calculated risks at a younger age can potentially lead to greater returns in the long run.
- Whilst it is often good to consider longer-term investment opportunities, it's important to prioritise your immediate needs and ensure that you have enough to fall back on if needs be.

Retirement

Retirement is expensive and is only becoming more expensive.

Whilst we are living longer, many people are also still wanting to retire at a reasonable age to enjoy the fruits of their labours and spend more time doing what they enjoy. Those born after the year 2000 are expected to live until they are at least 85, with a 1 in 10 chance of reaching 100. Assuming that you retire in your mid-60s at age 65, you will therefore probably have to fund yourself for 20 years or more without an earned salary.

By starting planning for retirement early and ensuring that you are contributing a suitable amount into your pension, you will be able to enjoy financial independence and retire when you wish, allowing you to pursue your passions in later life.

In summary

Taking control of your finances at a young age is an essential strategy which can set you up for a lifetime of financial success. Empowering yourself with financial literacy, establishing healthy habits, and investing wisely will help you build a strong financial foundation for the future.

Where are you in your life?

Given that you are reading this brochure, we can assume that you are probably at the start of your financial journey, either within the Foundation Stage or the Accumulation Stage. However, over time your life priorities, circumstances and goals will evolve, meaning that there are different financial aspects that you will need to consider.

Foundation stage:

20s

What life may look like:

- You may be completing your education or have already started to build your career.
- You may become financially independent from your parents during this time.
- Money can be tight, but youth and financial freedom bring many opportunities - travelling, socialising etc.
- Therefore, making long-term savings or retirement goals could be low on the financial list of priorities.
- But you don't want to live with your parents forever!

Start of your financial journey

Managing your finances in your 20s isn't always a priority even though you may be taking on your own financial responsibilities for the first time; it's good to start with the basics - ensuring that you take advantage of employer pension schemes and start a savings pot, for example.

Where Financial Planning can help in your 20's

- Basic cashflow planning can construct a long-term plan to show what is possible, and what may be needed to achieve it.
- Investment product knowledge can identify how best to utilise what spare income you have to save tax-efficiently for that first house deposit, for example.
- Although retirement seems a long way off, pension product knowledge can build a long-term strategy, including both employer and/or private pensions to take advantage of the power of compounding growth.

Accumulation stage:

30 to 40

What life may look like:

- Your career continues to progress, with income increasing.
- You may be settling down and may be buying a home or already have your first set of house keys.
- You may be starting a family.
- As your responsibilities grow - whether for loved ones or property - the need to protect grows, and the importance of being prepared should the worst happen.
- With settling down and children, you may need a larger property.

Build on your foundation

Even when day-to-day life is really busy, it's important to keep your financial future in focus with things like pension planning and making the most of other tax-efficient investments, whilst ensuring that those you love will be financially protected and supported should the worst happen.

Where Financial Planning can help in your 30's

- As your future becomes clearer, cashflow planning becomes ever more important for your long-term planning and peace of mind.
- Investing for your own and your family's future can continue to be a priority whilst you have sufficient surplus income available - for example, provision for your children's education.
- Knowledge of the range of protection products available can help ensure the repayment of your mortgage and the long-term financial security of your family should anything happen to you.
- Maintenance of pension planning. Time flies, and you won't want to work forever!

Growth stage:

40 to 55

What life may look like:

- Demands on your time may grow - busy career, busy family, ageing parents - leaving less time to keep an eye on your finances.
- However, things don't always go to plan. Relationships may break down and life may throw curveballs at you.

A time for growth

They say life begins at 40, and these peak earnings years are a good opportunity to enjoy your hard-earned money and maximise your savings and investments.

Where Financial Planning can help in your Early Middle Age

- Cashflow planning continues to be important for your long-term planning and can bring peace of mind.
- Investing for the future may again be a priority if your disposable income increases, although additional investment priorities may be those for the benefit of your children: looking ahead to university fees, future house deposits and so on.
- Maintenance of pension planning.
- Upon relationship breakdown, a revaluation of your planning - the potential need to purchase a property, restructure pension planning, invest any divorce settlement and so on.

Establishing stage:

55 to 65

What life may look like:

- A period of change: children may have flown the nest, mortgages may be paid off, inheritances may be received.
- Your capital resources and your household income may be at its highest, but retirement is around the corner.
- For the first time in a number of years, you may be able to put yourselves first, with the needs of children and other family decreasing.

Establish your Financial Plans

As family life changes and you start to think about stepping back from work or retiring completely, you'll want to make sure any decisions you make are backed by solid financial plans to ensure that you can enjoy the lifestyle you want in retirement.

Where Financial Planning can help in your Later Middle Age

- Cashflow planning continues to be important for your long-term planning and peace of mind, particularly if you are contemplating earlier retirement.
- Review of your retirement savings, your State Pension and so on. Is everything as it should be?
- Establishment of a decumulation strategy from investments and pensions to ensure that your needs in retirement are met as simply and tax-efficiently as possible.
- Setting up and reviewing your Wills and Powers of Attorney can ensure that your wishes are more likely to be fulfilled by people you trust, should you lose mental or physical capacity.

Preservation and Reward stage:

65 to 75

What life may look like:

- This may be the first time in your life when you have had both the resources and the time to visit places or learn skills you have always wanted to.
- But possibly the last opportunity where you have the health to do so.
- You might reassess your property needs: can you be bothered with a big house for the two (or maybe, sadly, one) of you?

Time to enjoy your Retirement

Now's the time to enjoy the financial security that's come from your hard work and careful financial plans by using your savings and investments in the most efficient ways to enjoy your life.

Where Financial Planning can help in Early Retirement

- Cashflow planning continues to be important for your long-term planning and peace of mind, by projecting what dreams you could fulfil whilst still young enough to do so.
- Maintenance and monitoring of tax-efficient decumulation strategies can provide the capital and/or income to make your retirement dreams a reality.
- Hopefully, your prudent planning has left you well provided for in retirement; and the peace of mind you may now seek is that your family will be well provided for and - should your health decline - that care costs can be funded.

Conservation stage:

75+

What life may look like:

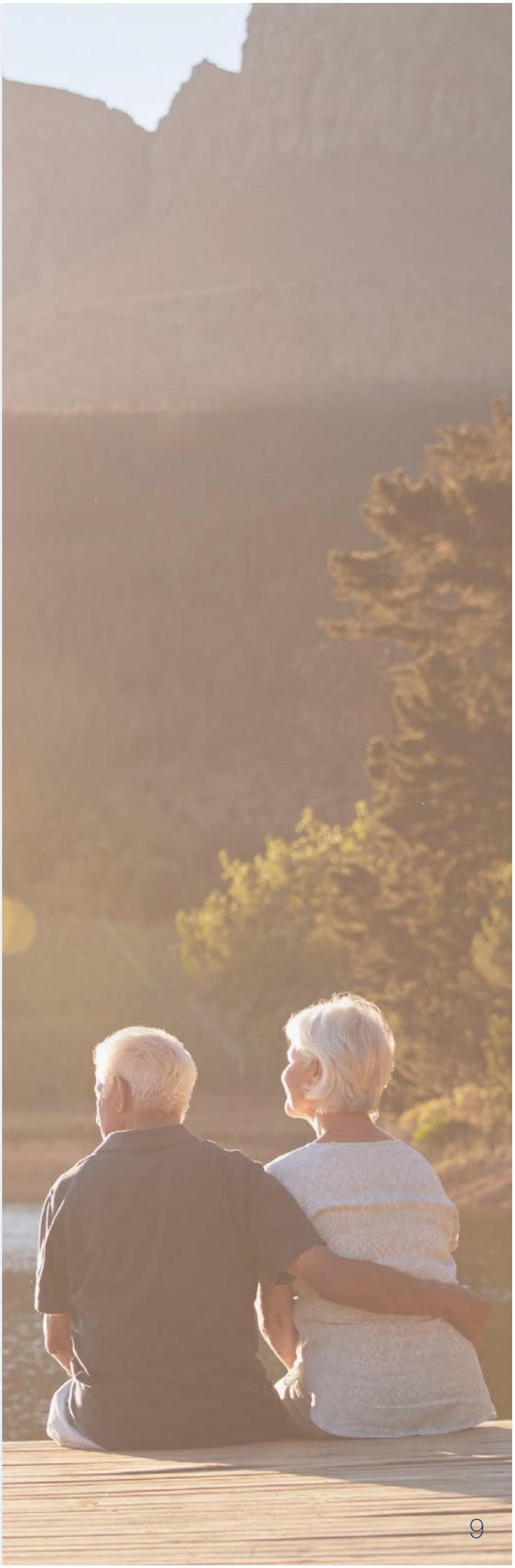
- You may be on your own for the first time in many years.
- Your expenditure may start to decline as you become less active, but unpredictable life events such as illness or residential care become more likely.
- Even if your health is good, you may look to relocate to be closer to family or downsize or sell your property.

The key to conservation

In your later years, you'll be thinking about what you can give to others now and in the future, and organising your assets to make sure your family members don't pay more tax than they need to.

Where Financial Planning can help in Later Retirement

- Cashflow planning continues to be important for your peace of mind, by confirming, for example, that any potential care needs can be met.
- As it hopefully becomes clear that you will have sufficient resources to meet any eventuality for the remainder of your lifetime, gifting strategies and switching to Inheritance Tax- efficient investments can reduce the estate received by the taxman and increase your family's inheritance.



The basics of personal finances

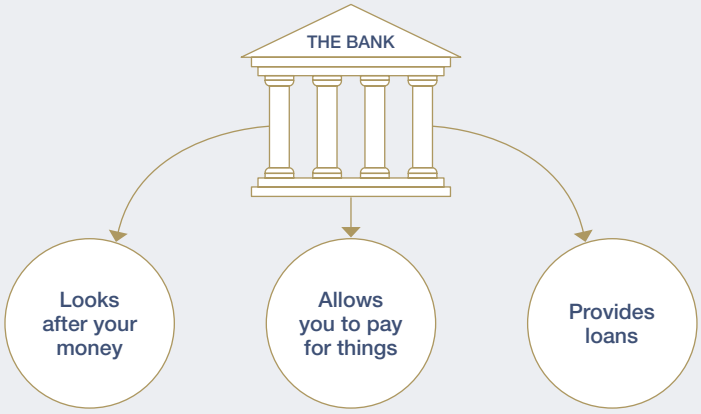
The basics of banking and borrowing

What does a bank do?

A bank is a financial institution that helps individuals and businesses manage their money. It offers various services such as accepting deposits, providing loans and facilitating transactions. Banks play a vital role in the economy by ensuring the flow of funds and supporting economic activities. They also provide services like savings accounts, credit cards, and investment opportunities.

Banks act as the middlemen between savers and borrowers. Savers deposit their cash with the bank who keep it for safekeeping as well as for a return of interest, whilst borrowers pay the bank interest to use this capital in the form of loans.

Broadly, UK banks have three main functions and operations. They look after your money; they provide you with a way to pay for things; and they can also provide you with loans.



1. A bank looks after your money

Banks have been looking after people's money since the time of the ancient Greeks. Whilst holding a small amount of money to pay for things makes sense, holding large sums of money personally carries the risk that your money could be stolen or lost. Banks provide individuals with a place to store their money in a secure location as what is known as a deposit. A deposit is simply money that has been placed into an account with the bank.

Banks provide this safe storing service free of charge and in return they can use the combined deposits that they hold to provide loans to others in order to generate a profit.

2. A bank allows you to pay for things

Quite simply, banks allow people to pay for things without the need to carry around a lot of cash. The use of debit and credit cards is a staple of society and people's day-to-day lives. If these payments stopped working, then the entire economy would grind to a halt.

3. A bank provides loans

Alongside looking after customers' money, banks also lend money to those who need it.

Financial Services Compensation Scheme

Whilst your money is held within the bank, the Government - through the Financial Services Compensation Scheme (FSCS) - protects customers' deposits with authorised banks up to £85,000 per person, per bank or building society. Therefore, should the bank fail, the FSCS will compensate you up to £85,000.

Banks provide loans to individuals and businesses for many things, such as to individuals to help with buying a house car, or holiday; or to businesses to help them grow, invest and expand. In return for lending people or businesses money, the bank charges a rate of interest.

The bank charges a rate of interest on the money that it lends out to earn a profit and to compensate itself for taking the risk of lending the money in the first place. This financial wizardry underpins the financial system, turning short-term capital into long-term liabilities. Clearly there is a risk that the money will not be repaid, and so the rate of interest payable reflects this level of risk. Riskier loans may, therefore, have a higher rate of interest associated with them.

How does a loan work?

A loan is when money is given to another party in exchange for repayment of the loan plus an amount of interest. When lending money, the bank's number one priority is to get its money back (and a little bit more). It therefore considers many characteristics of the borrower, including whether they have a regular and secure income and whether the repayments are affordable, as well as their credit worthiness and track record of past borrowings. This is often done through checking your credit score, and it is possible to improve your credit score by consistently paying bills on time and avoiding missed payments.

> A credit score is a number that lenders use to evaluate your creditworthiness. It's based on your credit history and helps lenders decide whether to approve your loan or credit application. The higher your credit score, the more likely you are to be approved for loans and get better interest rates. It's like a financial report card that reflects your borrowing and payment habits.

There are several components of a loan:

- How much is being lent and borrowed.
- The length of the loan.
- The rate of interest payable, which is usually expressed in terms of an annual percentage rate (APR).
- How the loan payments are structured. Are they paid regularly, on an ad hoc basis or as a lump sum?

Loans are often secured by collateral, which tends to be a physical asset. What this means is that if you cannot repay your loan, the lender is able to take charge of the collateral asset. For example, if you take out a mortgage and are subsequently unable to meet your mortgage payments, the lender is able to take over ownership of the property and sell it to repay the debt.

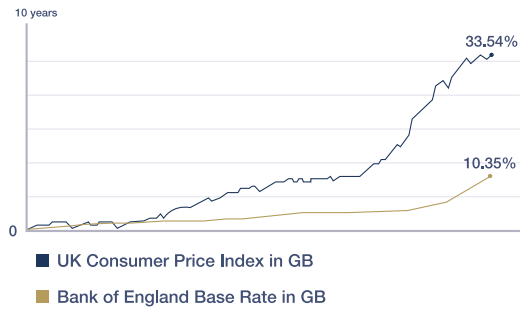
Who is the Bank of England?

The Bank of England is the central bank of the UK. The Bank of England oversees monetary policy (a set of actions that help to control a nation's overall supply of money, including setting interest rates) and issues currency. The Bank of England also regulates banks, financial institutions and payment systems to help to ensure that the UK's economy runs as smoothly and efficiently as possible.

As mentioned, the Bank of England is responsible for setting interest rates, and this is done through the Bank's Monetary Policy Committee which is a group of 9 members led by the Governor of the Bank of England. The purpose of setting interest rates is to help to try to keep prices stable and to help to manage the effects of inflation.

Inflation

- Inflation is the rate at which prices for goods and services rise.
- The Government aims to maintain inflation at around 2% per annum.
- Inflation is often measured using the Consumer Price Index (CPI) which examines the weighted average of prices of a basket of goods and services that are commonplace for the average consumer. This includes the cost of transportation, food and medical care. In total the cost of around 700 items and services is monitored to work out the CPI.



Interest Rates

- Interest rates tell you how much it is going to cost to borrow a sum of money.
- The Bank of England are responsible for setting the 'Bank Rate' which is the key interest rate for UK banks and heavily influences the cost of borrowing across the country.
- Broadly, an increase in interest rates will result in borrowing becoming more expensive for you and debt such as mortgages and loans becoming more costly. The purpose of raising interest rates is to try to curb spending and therefore reduce inflation.
- When the Government and the Bank of England may want to boost the economy and when inflation is low, they may look to reduce interest rates to encourage borrowing and spending in order to boost the economy.

Besides the functions that we have already mentioned, banks do have other functions and provide other services. Many banks now also offer investment services and trade shares, foreign currencies and commodities like oil and coal, on behalf of clients. They often also offer other financial services such as insurance and advice to individuals and businesses alike.

Banks therefore form a key part of our economy and society. The services that they offer provide individuals and businesses with many tools that can be utilised to help them to achieve their goals.

Tax basics

Famously penned by Benjamin Franklin, only two things in life are certain: death and taxes.

For centuries, taxes have been an important fact of life within the UK. Without them it would not be possible to pay for the services that we all share such as the NHS, Emergency Services, Social Services and UK Defence, amongst many other public services.

Within the UK, these are the main taxes to be aware of:

- **Income Tax** - A tax that is payable on income from various sources such as your salary, investment income, rental income and self-employed profits.
- **Capital Gains Tax** - This is a tax on the profit when you either sell or gift something that has increased in value.
- **Inheritance Tax** - This is a tax applied to the taxable estate of someone who has died.
- **National Insurance Contributions** - Whilst not strictly a tax, National Insurance is effectively a tax on earnings and self-employed profits paid by employees, employers and the self-employed. These Contributions help to build up your entitlement to, and to pay for, certain State benefits such as your State Pension and Maternity Allowance.

£12,570
of your **income** is
tax free

Income Tax

UK Taxpayers have a Personal Allowance of (currently) £12,570 The Personal Allowance reflects the income which can be received before tax is due however this is reduced by £1 for every £2 of adjusted net income over £100,000.

The Basic Rate of Income Tax of 20% then applies to the next £37,700 of income up to £50,270.

Higher Rate Income Tax then applies at a rate of 40% on the next portion of income from £50,270 to £125,140.

And the Additional Rate of Income Tax applies at 45% on income over £125,140.Capital Gains Tax.

Capital Gains Tax

The Annual Exemption applies to the level of gains which can be realised during a given tax year before Capital Gains Tax is due and this is currently £6,000 (reducing to £3,000 in 2024/25).

The tax rates are as follows:

Below the UK Higher Rate band, it is 10% (18% if the gain arises from the sale of a second property).

Within UK Higher and Additional Rate bands, it is 20% (28% if the gain arises from the sale of a second property).

Inheritance Tax

There is normally no Inheritance Tax to pay if either the value of the estate is below the threshold of £325,000 (or £500,000 if including the residential nil rate band of £175,000) and you leave everything above £325K to your spouse, civil partner or a charity. The rate of the Inheritance Tax applied on the excess is 40%.

The Main Residence Nil Rate Band was introduced in 2017 and can provide another allowance of up to £175,000 per individual (£350,000 total for a married couple) when their main residence is being passed onto direct lineal descendants (children or grandchildren). It is worth noting that this allowance is tapered on a 1:2 basis when the total estate exceeds £2,000,000, however; and this can only be used against the value of the property. This means that where a property is worth less than the available allowance then the allowance would be limited to the value of the property.

Student Loan and Student Debt

According to the Student Loans Company, the average student loan debt for students who started their studies after 2017 is over £45,000 upon graduation. It is important to consider that the average student loan borrowings can vary depending on factors such as country, education level, and individual circumstances. However, regardless of this, it is clearly a significant challenge that students have to face now and in the future; and they need to consider how, when and how much they need to repay over their lifetimes.

What is a Student Loan?

In the UK, a student loan is a financial assistance programme provided by the Government to help students cover the costs of higher education. It is designed to help students pay for tuition fees, living expenses and other related costs while studying at university or college.

The student loan system in the UK consists of two main types of loans:

1. Tuition Fee Loan: This loan covers the cost of tuition fees charged by the university or college. The amount you can borrow depends on the tuition fee charged by your institution. The loan is paid directly to the university or college on your behalf.

2. Maintenance Loan: This loan helps cover living expenses such as accommodation, food and study materials. The amount you can borrow depends on various factors including your household income and where you will be living during your studies. The Maintenance Loan is usually paid directly into your bank account in instalments throughout the academic year.

It's important to note that the repayment terms and conditions for student loans in the UK differ from those for traditional loans.

So how do you pay off your student debt?

Repayments are based on your income, and you start repaying once you're earning above a certain threshold. The loan is usually repaid through the tax system, and any remaining balance after a certain period of time (depending on when you started studying) is typically written off.

So, what is this threshold at which you start to pay back your student loan? Well, this depends on the type of student loan plan that you are on. Most students today are on Plan 2, which is applicable to students who started studying between September 2012 and July 2023.

Students who are on Plan 2 do not start paying back their debt until they earn more than £27,295 a year (before tax and other deductions).

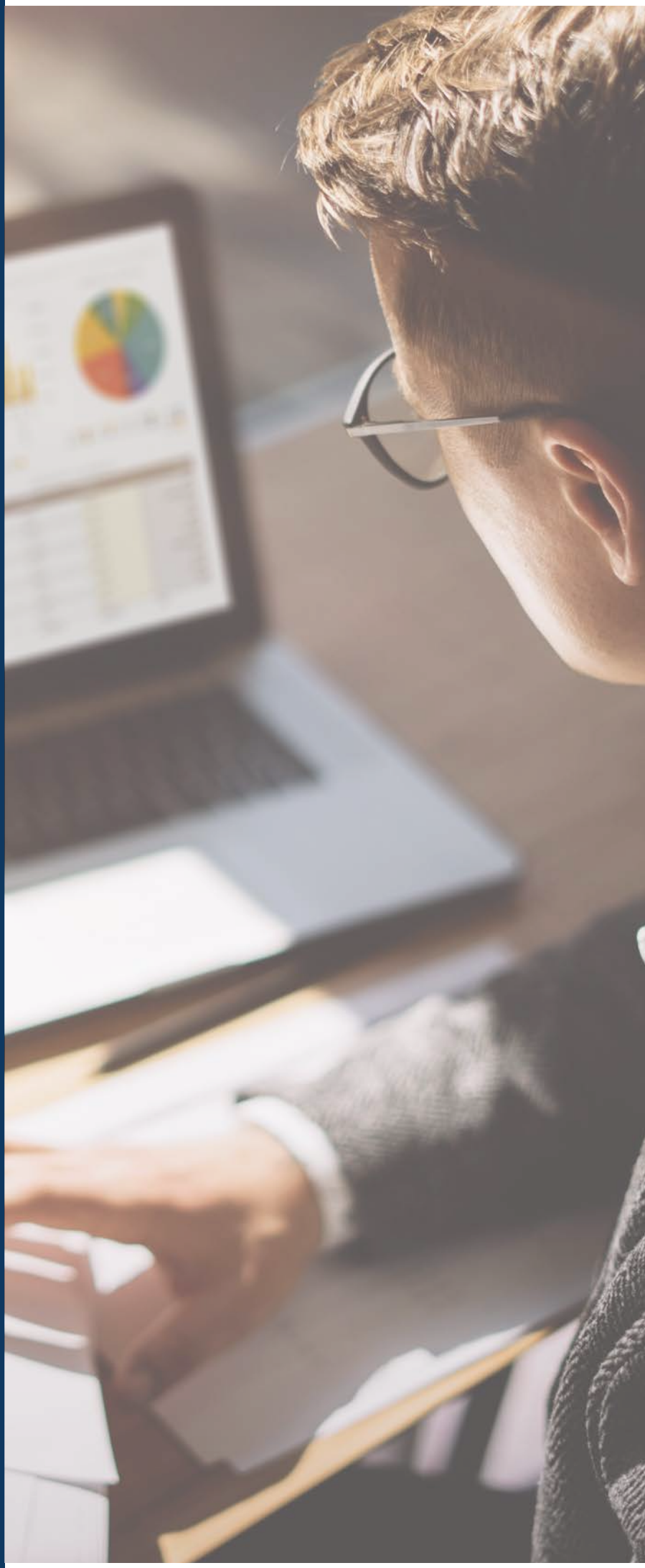
Students who began studying from September 2023 will be on Plan 5, in which case they will begin to start paying their debt back once they have left university and are earning more than £25,000 per year.

Some key points to understand about repaying a student loan in the UK:

1. **Repayment Threshold:** You start repaying your student loan once your income exceeds a certain threshold.
2. **Automatic Deductions:** If you are an employee, your loan repayments will be automatically deducted from your salary by your employer through the Pay As You Earn (PAYE) system. The deductions are a percentage of your income above the repayment threshold.
3. **Repayment Percentage:** The amount you repay on student loans in the UK is currently 9% (6% for Postgraduate Loans) of your income above the repayment threshold. For example, on Plan 2, if your income is £30,000 per year, you would repay 9% of the £2,705 difference (£30,000 - £27,295), which is £244 per year.
4. **Interest:** The amount of interest you're charged on your student loan depends on which plan you're on, your earnings and this changes overtime in line with the rate of inflation as measured by the Retail Price Index (RPI). While studying on Plan 2 for example, and until the April after you've left your course, the interest rate on your student loan is typically RPI plus 3%. After graduating, the interest rate on your student loan is typically set at RPI plus 0%-3% depending on your level of earnings.

What does your pay cheque look like, and why?

Navigating your payslip can sometimes feel like deciphering a complex code, especially if you're not sure what to look for. Each element on the document tells a part of your salary story. Here we will break down a typical payslip and highlight the key elements that you should be aware of.



The Essentials of a UK Payslip

Every payslip varies slightly, but there are common elements that you should be able to identify:

- **Personal Information:** At the top of your payslip, you'll find your personal details including your name, National Insurance number, tax code, and payroll number. Ensure that this information is accurate to avoid any discrepancies.
- **Gross Pay:** This is your total pay before any deductions. It includes your basic salary, any overtime, bonuses and allowances.
- **Net Pay:** This is the amount you receive after all deductions. It's essentially your take-home pay.
- **PAYE (Pay As You Earn):** This is the tax you pay to HM Revenue & Customs (HMRC). Your employer calculates and deducts this amount based on your tax code.
- **National Insurance Contributions (NICs):** These are also deducted from your gross pay. NICs go towards benefits such as the State Pension and unemployment benefits.
- **Pension Contributions:** If you're enrolled in a workplace pension scheme, you'll see deductions for your contributions. The exact amount depends on your scheme.
- **Student Loan Repayment:** If you're repaying a student loan, your repayments will be deducted automatically.
- **Benefits in Kind:** These are non-cash benefits, such as a company car or health insurance, which might also be taxable.
- **Pay Period:** This indicates the period for which you are being paid. It could be monthly, weekly or bi-weekly.
- **Tax Code:** This tells your employer how much tax-free income you're entitled to in that tax year.

The Importance of Your Tax Code

Your tax code plays a crucial role in determining how much tax you pay. Most people have the tax code 1257L in the 2023/24 tax year. It means that you can earn £12,570 tax-free in that year. But your tax code might look different for various reasons.

Bonus Payments and Tax

When it comes to bonuses, you might notice that your take-home amount is less than expected due to tax. This is because bonuses are considered part of your taxable income, subject to both PAYE and NICs.

Bonuses can push you into a higher tax bracket, resulting in a higher tax rate being applied to that portion of your income. For instance, if you earn £45,000 annually and receive a £10,000 bonus, the bonus pushes your taxable income to £55,000. Whilst the first £12,570 would be taxed at 0%, the next £37,700 would be taxed at the Basic Rate (20%) with the remaining £4,730 falling into the Higher Rate tax band, which is taxed at 40%.

Understanding your payslip is crucial to ensuring that you're being paid correctly and know where your money is going. By familiarising yourself with these key components and keeping an eye on your tax code, you can ensure that there are no issues with how you are paid. Keep in mind that tax rates, allowances and rules can change with each budget, so be sure to remain up to date.

Salary Sacrifice

Salary sacrifice is a voluntary arrangement that you can choose to make as an employee, where you agree to have a portion of your salary paid into your pension or used to purchase other benefits such as additional days holiday, private medical cover, car leasing schemes, or other employee benefits.

The benefits of salary sacrifice are that as the payments for these benefits are made out of the employee's salary before tax is taken, it effectively reduces their taxable income which in turn reduces the amount of Income Tax and National Insurance contributions payable. It is therefore a very tax-efficient and cost-effective way to access a range of benefits; and it is well worth exploring what is offered by your workplace.

Pay cheque - Example

In order to demonstrate where your money might go every month, alongside is an example of monthly income and expenditure.

Sam has recently graduated from university and is now working as a private secretary within a government agency. They work full time and earn £30,000 per year and personally pay 4% into their pension scheme via salary sacrifice.

Salary	£30,000
Total Tax	£3,246
National Insurance Contributions	£1,623
Pension Contributions	£1,200
Student Loan	£132
Total Annual Take Home Pay	**£23,799**
Total Monthly Take Home Pay	**£1,983**

After tax Sam has £1,983 paid into their bank account every month to meet their day-to-day needs and have a bit of fun, as well as trying to save a little bit for their future.

However, in order to work out their disposable income, we must first look at their fixed costs:

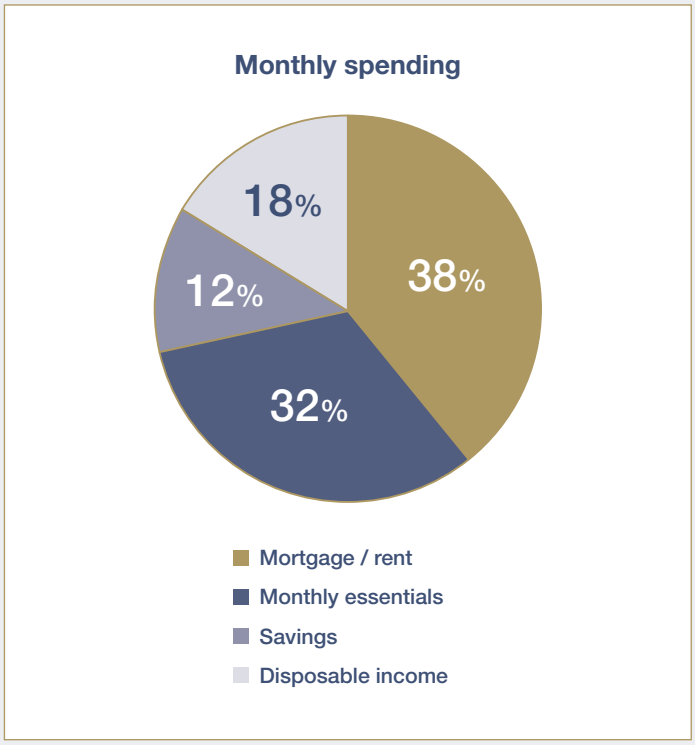
Essential Monthly Expenditure	
Rent/Mortgage	£750
House Bills	£150
Council Tax	£180
Food & Groceries	£150
Mobile Phone	£30
Wi-Fi	£20
Transport	£100
Total Fixed Costs	**£1,380**
Total Disposable Income	**£603**

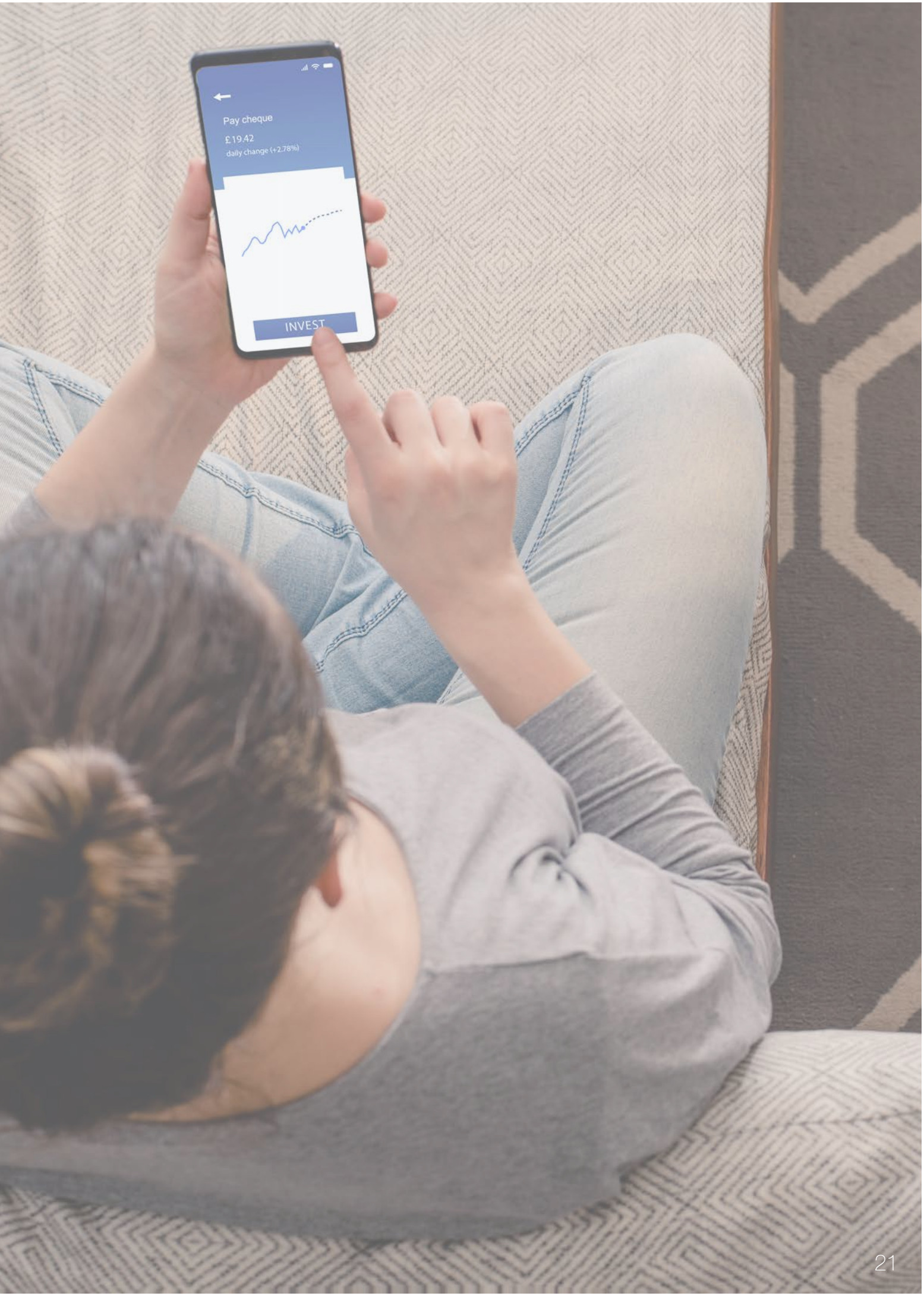
After taking into account all of their essential monthly expenses, they have around £603 remaining.

A good rule of thumb to follow is to try to save between 10-15% of your salary after tax each month. Sam saves £230 per month which they put into saving accounts.

They therefore have £373 per month with which to go out and enjoy themselves.

Keeping careful track of your regular income and spending helps to ensure that your needs are met and that you can also spend money enjoying the things that you want to do as well as saving for the future.

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Investing: making your money do the work for you

If you have some spare cash or plenty of disposable income left over at the end of each month, you may very well be considering investing into the stock market. There are several things to consider before committing to the markets.

Stick to Cash

First of all, you should consider whether you are in a position to invest at all or whether you should stick with cash in the bank. Below are some key questions to ask yourself:

- Am I able to pay off any outstanding debts?

It is expensive to borrow, and therefore, if you have any debt that you can pay off you should consider doing this in the first instance, especially if there is a particularly high interest rate on the debt. As an example, you should look to pay off high interest credit cards or overdrafts prior to investing, and potentially student loans depending on your wider circumstances.

- Do I have a sufficient emergency fund that I can draw upon?

As a general rule of thumb, you should look to keep between 3 and 6 months' worth of income as an emergency reserve which is easily accessible in the bank. This is to pay for any unforeseen expenses such as the car breaking down or a period of unemployment.

It would probably not be appropriate to invest if you do not have this emergency reserve built up. You should also consider how much of an emergency pot of money you would feel comfortable with.

- What are my financial goals?

Investing is for the long term. As a rule of thumb, you should be happy to invest for a bare minimum of 5 years. Therefore if you are planning on using your surplus cash to buy a new car or go on a big holiday in two years' time, then you should probably consider alternative options, such as a savings account which pays a good level of interest.

Invest your money

Providing that you are happy with the points mentioned above, then investing into the stock market may very well be a suitable and wise financial decision to make.

There are many things to consider prior to investing and within this guide we have provided you with some basic information to get you started. We would, however, always recommend that you do some thorough research prior to investing and also seek professional advice.

Investing Basics

The stock market is the most established and proven means at our disposal of generating wealth. Stock markets are a place where individuals can buy and sell shares and these date back over 400 years. Building wealth is a goal that many people aspire to, but it can often seem like an overwhelming task.

It takes time, effort and discipline to be successful with this goal. Many get lured by get-rich-quick schemes and too-good-to-be-true opportunities that can send you down a dangerous path.

At the risk of stating the obvious: Rome wasn't built in a day, and the same goes for your net worth.

When looking at generating wealth in the stock market it's important to remember that financial markets go through years of positive returns, negative returns, and no returns. If in the first few years of investment we see negative or no returns, human nature drives many to give up. That's why we suggest an investment period of no less than 10 years. Good and bad years get evened out over this period. Over 10 years' investing, 80% of the returns come in 20% of the time. This means that you need enormous patience during the 80% period to reap the reward in the remaining 20%.

Patience is the most difficult trait to develop. Patience involves pain. But without patience and without developing the understanding that returns are never linear but always lumpy, it is impossible to create wealth.

It's important to be aware of the risks involved; however, the benefits of investing far outweigh the potential pitfalls. In this article, we will explore some of the fundamental advantages of investing, focusing on the concepts of compounding and pound cost averaging. We will also touch upon the risks associated with investing, emphasising the need for careful decision-making and risk management.

The Magic of Compounding

The great Albert Einstein once said: “Compound interest is the eighth wonder of the world.”

One of the most compelling benefits of investing is the phenomenon known as compounding. Compounding refers to the ability of an investment to generate earnings, which are reinvested to generate even more earnings. Over time, this compounding effect can significantly boost the value of an investment.

Imagine investing into company shares or an investment fund that provides an average annual return of 8%. Through the power of compounding, the investment’s value can grow exponentially. To see this in simple numerical terms, please see the table below:

Assume a £1,000 initial investment, with an 8% annual return:

Year	Return	End Value
1	8%	£1,080
2	8%	£1,166
3	8%	£1,259
4	8%	£1,360
5	8%	£1,469
10	8%	£2,159
20	8%	£4,661
30	8%	£10,063

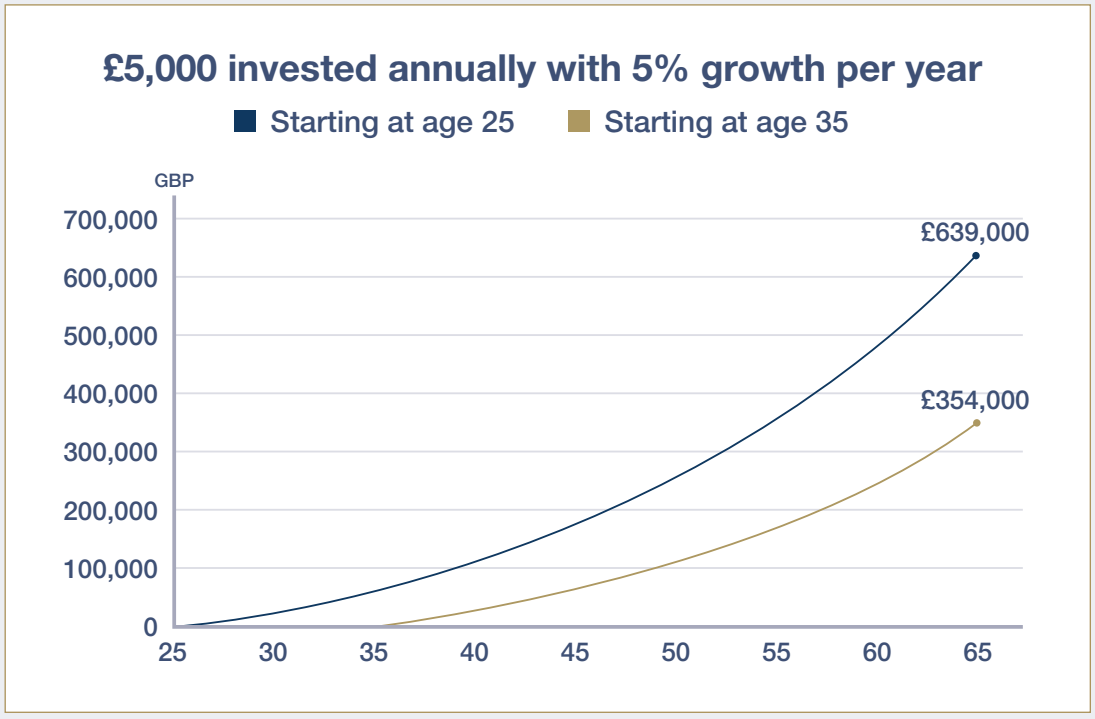
The earlier you start investing, the greater the benefit of compounding (see the below graph). By allowing investments to grow and compound over decades, individuals can witness remarkable wealth accumulation. The blue line on the graph shows the value of an initial £5,000 invested that is left to compound at an average growth rate of 5% per year. This same graph also shows the difference that starting at age 25 (the blue line) can make versus starting at age 35 (the gold line). This nicely demonstrates the benefits of saving and investing at a young age.

Pound Cost Averaging

Pound cost averaging is another advantageous strategy that helps investors navigate the volatility of the market. This approach involves investing a fixed amount of money at regular intervals, regardless of the current price of the investment - for example, buying weekly or buying monthly.

By employing pound cost averaging, investors can take advantage of market fluctuations. When prices are high, the fixed investment amount purchases fewer units or shares, and when prices are low, more units or shares are acquired. Over time, this strategy smoothens out the impact of short-term market fluctuations, potentially lowering the overall average cost of investment. Pound cost averaging also instils discipline in investors, encouraging them to stay invested for the long term and avoid trying to time the market, which can be a risky endeavour.

To put this into numbers: imagine that 10 years ago, you invested a £1,000 lump sum and started saving £100 per month with this money invested into the S&P 500 (US stock market consisting of the top 500 largest companies). That pot of money will now be worth £27,682.84, from a total investment over that period of £13,000. Investing platforms these days allow investors to automatically set up this regular investing function, meaning very little work is needed.



Diversification

Diversification is a fundamental principle in investing that helps manage risk and enhance overall portfolio performance. It involves spreading investments across different asset classes, sectors and geographic regions. By diversifying, investors can reduce the impact of any single investment's performance on the overall portfolio. The primary benefit of diversification is the potential to achieve a balance between risk and return. Different investments have varying levels of volatility and respond differently to market conditions. By holding a mix of assets, such as stocks, bonds, real estate and commodities, investors can offset potential losses in one investment with gains in another. This helps to smooth out the overall portfolio returns and minimise the impact of market fluctuations. Proper diversification requires thoughtful asset allocation based on individual goals, risk tolerance and time horizon. Regular monitoring and rebalancing of the portfolio are also necessary to maintain the desired diversification levels.

Recognising the Risks

While investing offers numerous benefits, it is essential to acknowledge the associated risks. Investing always carries the possibility of losing money, especially in more volatile markets or when investing in higher-risk assets. Market fluctuations, economic downturns and unforeseen events can all impact the performance of investments. It is crucial for investors to conduct thorough research, diversify their portfolios, and understand their risk tolerance before investing. Working with a financial adviser or seeking professional advice can also help mitigate risks and lead to informed investment decisions.

Questions to ask yourself

Do you know what your pension is invested in? A survey by 'This is Money' revealed two thirds of people in the UK were unsure about where or what their pension is invested in. This statistic is quite troubling when your pension is the most important pot of money in your entire life. Understanding your pension early allows you to make the changes early and allow for compounding to do the rest over the decades. Believe it or not, the difference in understanding and altering your pension early can mean hundreds of thousands of pounds difference over the decades before you hit retirement.

Do you have cash sitting in a bank account that you won't need in the medium term?

Cash is the worst asset class to hold for prolonged periods. Inflation erodes the real value of cash over time. Why not start making your hard-earned cash work for you?

Conclusion

Investing can be a rewarding endeavour, providing individuals with opportunities for wealth accumulation and financial growth. The benefits of compounding and pound cost averaging demonstrate the potential long-term advantages of investing. However, investors must also be aware of the risks involved and approach investments with a cautious and informed mindset. By understanding the benefits and risks, individuals can navigate the investment landscape more effectively, maximising their chances of success.

Investment Risk

Investment risk is the first thing to consider when you are thinking about investing some money. Different types of investments and different asset classes have different levels of risk associated with them.

Generally speaking, higher risk investments aim to produce a higher level of return over the long term but in the short term will be more volatile with values moving up and down.

Lower risk investments aim to be steadier without much volatility in values.

> Investment Volatility is how much and how quickly your investment moves over a period of time. Riskier investments tend to be more volatile than more cautious investments.

At BRI Wealth Management we assess risk on a scale from Cautious to Speculative. This is done through asking a series of questions where we aim to assess your emotional response to varying market conditions, your understanding of investments and markets, your previous experience and your capacity for loss.

LOWER Risk Assets

- Cash - money in the bank
- Gilts (UK Government Bonds)
  - Money that you invest into a Gilt is essentially providing a loan to the government. In return you will receive a level of interest which is called a coupon.

MEDIUM Risk Assets

- Property
  - Most people during their lifetime will invest in property at some point - and will probably live in it. Property provides a tangible investment of bricks and mortar. However, in reality you can invest into a much wider range of property from residential rental properties, commercial warehouses, research labs, solar farms, data centres and many more.
  - Properties tend to provide a secure and reliable level of return along with the prospect of capital growth. There are specific risks of investing into property, however, such as issues selling the property, as well as “void” periods (meaning that there is no income coming in) if you do not have a tenant.
  - Property investment can be done individually, by buying a property, or through collective investment funds where your invested money is pooled with that of other investors to buy a range of property.
- Corporate Bonds
  - Much like Gilts, investing into a corporate bond is lending money, but to a corporate rather than to the Government. Whilst riskier than Gilts (the Government is more likely to be able to repay its debts), you in return receive a higher level of interest on your investment. Companies with stronger credit rating are generally seen to be safer options.

HIGHER Risk Assets

- Equities (stocks and shares)
  - Equities are often seen to be the highest risk investments within a portfolio and the equity content of a portfolio is often the measure of the overall risk.
  - When you buy shares in a company, you become a shareholder of that company. Therefore, should the company do well, then the value of your investment will probably do well, as you are entitled to a proportion of the profits. However, should the company not do well or even fail, then clearly the value of your shareholding could fall or even be wiped out entirely.
  - Equities provide a fantastic opportunity for long-term growth - but you have to be prepared to invest for the long term and accept volatility in your investment values.
  - Investing in equities can be done directly by buying stock of a particular company, or you can invest into collective funds where your money is pooled together with all of the other investors to buy a wide range of stocks. This is a great way of spreading the risk of your investments and leaves the management of the money to expert fund managers.

How do I Invest?

There is a whole range of ways to invest, all of which have different benefits, limitations and tax consequences.

Pension

A pension is a tax wrapper which enables you to save for retirement. The funds can grow free from Capital Gains Tax; and Income Tax will only become payable when the funds are withdrawn when you retire. Under current legislation you can draw 25% of your pension tax-free up to a maximum of £268,275.

You can receive basic rate tax relief of 20% on any contributions into your pension, subject to the lower value of either the £60,000 Annual Allowance limit or 100% of your relevant UK earnings.

Should **you pay £5,000** into your pension, the **government will add 20%** basic rate tax relief of £1,250, meaning that you will have a total pension contribution of **£6,250**.

If you do not have any relevant UK earnings, you can still pay up to £2,880 each year which is automatically increased to £3,600 when accounting for tax relief (even though you may not have paid any tax).

If you are in employment, you should have a workplace pension where both you and your employer contribute a percentage of your pay each month. The minimums are 3% from your employer and 5% from the employee. Some employers pay over this 3% minimum, and you can also opt to pay more than the 5% minimum.

Some employers offer payment of your pension contributions via a "salary sacrifice" arrangement. This is where your employer will reduce your salary by an agreed level and this is paid into your pension, along with the employer contribution. The benefit of making a contribution in this way is that your overall salary is reduced for Income Tax, so you would in turn pay less Income Tax. Additionally, although at the discretion of the employer, some will pass on the employer National Insurance saving on the level of contribution (salary reduction) made, which can be an additional 13.8% of the contribution paid into your pension. This can also reduce the amount you pay on your student loan because - as outlined earlier - this is paid on a percentage of your salary above a certain level (dependant on your scheme). Do bear in mind, though, that this can negatively impact on the amount of money that you can borrow, including taking out a mortgage.

The Power of Pension Planning: Why Starting Early Is Your Key to a Comfortable Retirement

Preparing adequately for retirement is something which many people (particularly if they are still quite young) regard as a problem for the future. However, as mentioned earlier in this brochure, there are multiple benefits of starting to plan sooner rather than later. Pension planning in particular can lay the groundwork for a secure, comfortable retirement. Therefore, let's delve deeper into the benefits of saving into a pension.

Maximising Compound Interest

A pension fund is a long-term investment, and the earlier you start, the more time your money has to grow. Thanks to compound interest, your earnings generate even more earnings. Simply put, the earlier you contribute to your pension pot, the larger it can grow, creating a powerful snowball effect. The fact that access is restricted can be a benefit because this ensures that you avoid using this pot for anything else.

Tax Relief Advantages

As mentioned, a significant benefit of pension saving is the available tax relief. The Government offers tax relief on your pension contributions up to 100% of your annual earnings or the £60,000 annual allowance, whichever is lower. This means that some of the money that you would have paid in tax on your earnings goes into your pension pot rather than to the Government.

Benefitting from Employer Contributions

Another advantage of pension savings is employer contributions. If you're enrolled in a workplace pension scheme, your employer must also contribute to your pension pot. Over time, these contributions can significantly boost your savings, providing a higher income for you in retirement. It is often wise to consider making contributions at least equal to the level at which your employer is willing to match.

Leveraging the State Pension

Saving into a personal or workplace pension doesn't exclude you from receiving the State Pension. To receive the full State Pension in the UK, you need at least 35 qualifying years on your National Insurance record. The full New State Pension is currently £203.85 per week and is set to continually increase each year. However, the State Pension itself may be subject to legislative changes in the future, which reinforces the importance of ensuring that you have sufficient personal provisions to meet your requirements in retirement.

Flexibility in Retirement

With a robust pension pot, you're better equipped to enjoy a flexible retirement lifestyle. Whether it's travelling, pursuing a hobby, or supporting family members, having a well-funded pension gives you the freedom to live retirement on your terms.

Protecting Your Loved Ones

Many pension plans offer the option to provide for your loved ones after your death. This can be through a lump sum payment or by providing a spouse, civil partner or dependant with a regular income. Therefore, saving into a pension can also provide financial security for your loved ones.

Inflation-beating Growth

Investment-based pension schemes have the potential to deliver returns that outpace inflation, helping your savings maintain their buying power over time. Given the long-term nature of pension investments, they can ride out short-term market fluctuations and potentially deliver robust growth.

Benefiting from Defined Benefit Pensions

Defined Benefit (DB) pensions, also known as 'final salary' pensions, are less commonly found in the private sector nowadays. These pensions provide a set income in retirement that is usually based on your salary and length of service, providing a stable and predictable retirement income.

These types of pension are primarily offered in public sector roles, such as positions within the National Health Service (NHS) or teaching professions. They provide a secure, inflation-proof retirement income rather than being dependent on investment performance. This makes Defined Benefit pensions a valuable tool for those eligible.

Summary

In essence, proactive pension planning offers compelling benefits: the magic of compound interest, tax advantages, employer contributions and the potential for inflation-beating growth - not forgetting the financial safety net for loved ones and the reliable income from Defined Benefit pensions. The earlier you start to take control on this journey, the smoother your path to a comfortable and prosperous retirement can be.

Individual Savings Account (ISAs)

One of the most simple and tax-efficient ways to invest is via an Individual Savings Account (also known as an ISA). Whilst not as tax-efficient as a pension for investing, ISAs are still highly tax-efficient and far more flexible, as you can access your funds at any time.

ISAs are effectively tax-efficient boxes, or wrappers, which enable you to save up to £20,000 each tax year without having to pay tax. You are able to buy and sell investments within an ISA without creating a Capital Gains Tax liability, and any income produced from your ISA investments are also tax free.

There are several different types of ISA which we have detailed for you below:

1. Cash ISA

You can save into a Cash ISA and receive interest on your capital. The interest rates can vary and sometimes a high rate can be obtained if you are prepared to restrict access to your capital for two years or more. As your capital will remain in cash, in times of high inflation the "real" value of your Cash ISA is likely to reduce over time.

2. Stocks and Shares ISA

This is where your ISA funds will be invested in the stock market and the returns you receive will be dependent on the performance of your chosen investment funds. Stocks and Shares ISAs are a great way to dip your toes into the world of investing without worrying about tax consequences.

3. Lifetime ISA

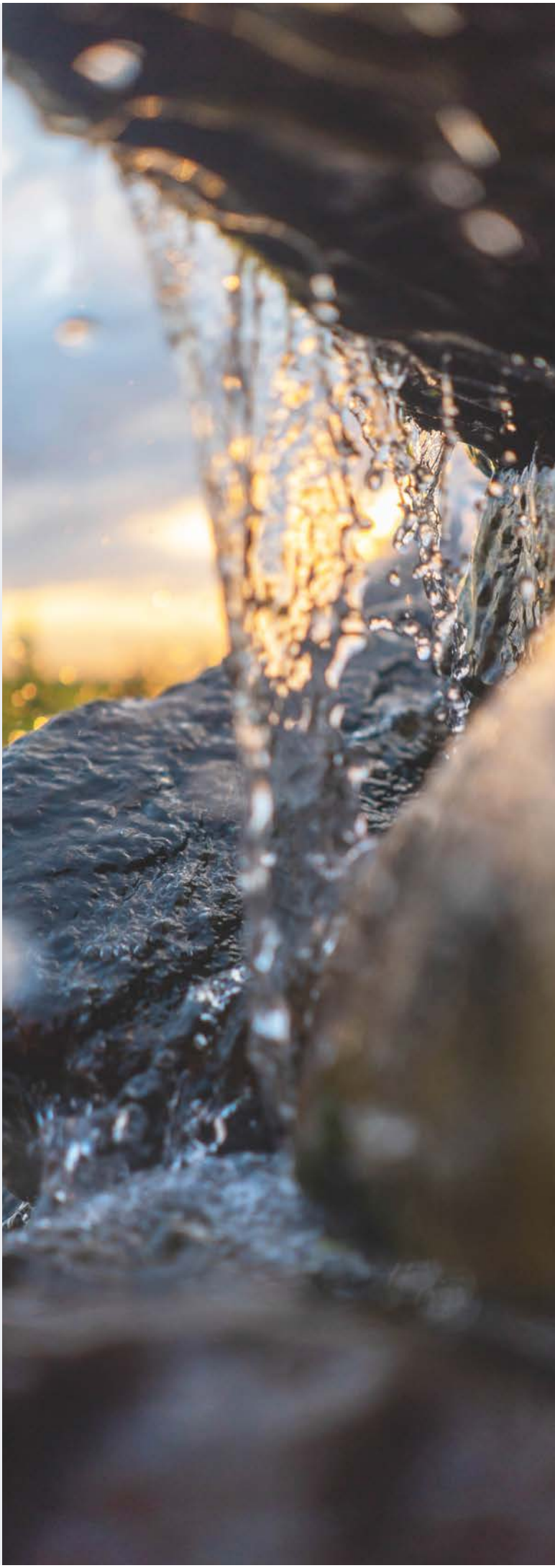
A Lifetime ISA can be used to save for a deposit to purchase your first home or to save for retirement. The funds within your ISA can be cash or stocks and shares or a combination of the two. You can only pay up to £4,000 each tax year into a Lifetime ISA. The Government will then pay a bonus of 25% on these savings directly into your ISA, up to a maximum of £1,000.

You need to be aged between 18 and 40 to set up a Lifetime ISA and you can only pay into a Lifetime ISA until you are aged 50.

To withdraw funds from your Lifetime ISA, you must either be:

- Buying your first home
- Aged 60 or over
- Terminally ill, with less than 12 months to live.

If you want to access these funds for any reason other than those noted above, you will pay a 25% withdrawal charge.



Where to invest your money?

As we have mentioned, it is always very important to ensure that any investment portfolio is well-diversified and spread across different asset classes and geographies. This helps to reduce risk as well as helping to make sure that you don't miss out on returns.

However, with the world ever-changing, we have identified a few key themes that you may wish to consider:

Artificial Intelligence

The power of artificial intelligence is "so incredible, it will change society in some very deep ways," said billionaire Microsoft co-founder Bill Gates. AI interest and excitement surged in 2023 after the release of Open AI's Chat GPT, capturing interest worldwide.

Investing in AI stocks has become an enticing opportunity as the technology continues to revolutionise industries. There are now specific funds and Exchange-Traded Funds (ETFs) that will buy a portfolio of AI related stocks to give you exposure to the theme. Why might an investor find AI an attractive investment?

- **Rapid Technological Advancements:** AI drives innovation and productivity, making AI stocks appealing for potential growth and profitability.
- **Expanding Market Opportunities:** AI finds applications in various sectors, offering significant market expansion and revenue growth potential.
- **Enhanced Efficiency and Cost Savings:** AI automates processes, reduces errors, and enables data-driven decision-making, benefitting companies and investors.
- **Long-term Growth Potential:** With AI's integration into everyday life, investing in AI stocks offers long-term growth prospects.

What are the risks?

- **Volatility and Market Uncertainty:** Thematic investing, including AI stocks, is susceptible to market volatility and uncertainty.
- **Regulatory and Ethical Concerns:** AI raises concerns regarding data privacy, algorithmic bias, and job displacement, potentially impacting AI companies' profitability.
- **Competition and Disruption:** Intense competition and evolving technologies pose risks to established AI companies.

Healthcare and Biotech - Innovation for a healthier world

From big data to smart beds, technology is revolutionising our health, opening attractive investment opportunities. Technology is reshaping our world. Healthcare is no exception. The pressure to develop new medicines and other health products is building thanks to the demands of an ageing and increasingly health-conscious world population. The increasing life expectancy worldwide creates a growing demand for healthcare services. As people age, their healthcare needs typically increase, leading to higher demand for pharmaceuticals, medical devices and healthcare facilities.

Healthcare is often viewed as a defensive sector due to its ability to withstand economic downturns. People require healthcare services regardless of the economic climate, making healthcare stocks relatively more stable during market volatility. The healthcare industry is known for its continuous innovation and technological advancements. Investments in healthcare stocks offer exposure to cutting-edge research, new drug development, medical breakthroughs, and innovative healthcare solutions, which can lead to significant growth opportunities.

Sustainable World - Clean Water

Sustainable investing is an approach that considers environmental, social, and governance factors alongside financial criteria, aiming to generate positive returns while promoting sustainable practices and responsible corporate behaviour. There are numerous sustainable investment themes around today; these include renewable energy, clean technology, sustainable agriculture, and water management. Below we have touched upon the basic thesis around sustainable water.

Clean water is a critical resource necessary for human survival and for various industries, including agriculture, manufacturing and energy production. With the increasing global population and rising water scarcity, there is a growing demand for solutions that ensure access to clean water. Investing in clean water stocks provides exposure to this essential and in-demand sector. As concerns over water pollution, contamination and inadequate infrastructure continue to rise, there is a need for companies offering innovative solutions for water treatment, purification and infrastructure development. This long-term growth potential presents investment opportunities in companies involved in water treatment technologies and water management services, whilst also investing for positive social impact.

How to take your first step onto the property ladder and what to consider

Buying a house is expensive!

The average deposit for a first-time buyer is now over £60,000 with average first home prices being around £225,000 (data according to Rightmove). This can clearly vary massively depending on where you are looking to buy, with prices in London being significantly higher than in the rest of the country.

So how do you save for your first home?

1. Little and often

If you are not lucky enough to be supported by 'the bank of mum and dad', then the best way to start saving for your first deposit is by saving little and often. Set yourself a target deposit, and then break this down to a realistic monthly savings goal.

2. Lifetime ISAs (LISAs)

As we mentioned earlier within this guide, LISAs provide first time buyers with a great bonus to their savings. For every £4,000 that you invest into a LISA the Government will give you an additional £1,000 bonus to be used towards your first home.

3. Cut costs on rent

If you are currently renting as well as trying to save for a house deposit, you will know how difficult this can be. Consider saving money on your rent by moving into a flat-share, or try co-living with a friend. You could even consider moving back into the family home for a period of time if mum and dad will let you!

Mortgages and how they work

Once you have managed to save up for your first deposit, you will then need to look to take out a mortgage to fund the rest of your property purchase.

A mortgage is a loan used to purchase a house and provided by a bank or building society. By giving you a specific sum of money, the bank or building society enables you to finance the purchase of your new home. The loan is then secured on the property itself, meaning that if you should not be able to pay back the mortgage, the lender has the right to take possession of the property itself.

How much can you borrow?

As a rule of thumb, for a mortgage you are usually able to borrow around 4 times your annual salary. Therefore, should you earn £30,000, you may be able to borrow around £120,000.

This loan tends to be for a period of between 10 and 30 years and will have a rate of interest associated with it. This interest rate can either be fixed for a period of time or else variable, moving up and down with the bank's base rate.

Once you have worked out how much you can borrow, there are two ways in which you can pay this back:

1. A **repayment mortgage**, where you repay a sum of the borrowings as well as the interest in a monthly payment.
2. Or an **interest only mortgage**, where you simply repay the interest on the mortgage and then have to repay the borrowings as a lump sum in the future.

Protecting yourself and your loved ones

Life insurance is a product that will pay out a sum of money to your beneficiaries on your death, either as a lump sum or as a regular payment. Most people will have life insurance in place to cover their mortgage in the event of death, but there are some other areas to consider:

- Does anyone rely on your income to meet the household costs and if not now, will this be the case in the future?
- Do you have any outstanding debt, and would this liability be affordable for your family?
- Would you like to ensure that any school fees are covered if you were to pass away?
- Would you like to ensure that any funeral costs are covered?
- Will your family have Inheritance Tax to pay on your death?

Life Insurance

What features do I need to consider?

Term: This is length of time you would need to be covered for and is usually in line with your objectives. For example, matching the term on your mortgage, or in line with your retirement.

Sum Assured: This is the amount you would like your beneficiaries to receive. Again, the sum assured selected will be in line with your objectives - for example, to match any outstanding liabilities, or the cost of school fees.

Premium

This is the cost of your insurance policy and is usually paid on a monthly basis. You can elect to guarantee your premium, which will ensure that the amount you pay each month will remain the same for the duration of the plan. Alternatively, you could select a reviewable premium, which usually offers a lower initial premium but can increase throughout the lifetime of the plan.

Lives Assured

When commencing a life insurance plan, the life assured will be the person to whom you would like the policy to pay out when you die. Life insurance can be taken out on a single life basis or a joint life basis. If joint life is selected, you will have the option for the cover to pay out on the first death or the second death.

Additional Features

There are also optional features that you could add onto your life assurance policy, such as waiver of premium, critical illness and trust.

- **Trust:** It is an option to place your protection into Trust, for the benefit of your family. Essentially, on death, the funds will be paid into the Trust, rather than into your estate. There are advantages and disadvantages of placing a life insurance policy into Trust, and it is important to establish whether or not it is suitable for you. The chart alongside illustrates the benefits and drawbacks of setting up a Trust of this kind:

Benefits	Drawbacks
You can decide who will benefit from the proceeds of the life insurance and who will manage these funds.	Trusts are subject to different tax rules, and also have legal requirements that must be met. The taxation of the Trust will be dependant on the type of Trust selected.
Any successful claims will be paid directly into the Trust, without having to first obtain probate. This can therefore speed up the process of your beneficiaries receiving the money.	By placing your life insurance policy into Trust, you are legally transferring the ownership over to the Trust entity.
Any proceeds will be immediately outside of your estate for Inheritance Tax purposes.	Trusts can be complex and require ongoing maintenance. There are rules that Trustees are legally required to adhere to.

Income Protection

Whilst it is important to consider how your loved ones will be supported financially should you pass away, it is also sensible to consider the impact of not being able to work due to illness, injury or disability.

Income protection provides financial support by replacing your lost income during a period when you are unable to work. This coverage can be crucial in helping you cover your living expenses whilst you focus on recovering.

Income protection policies pay out should you be unable to work due to illness, injury or disability and will provide you with a regular benefit until such time as you are able to return to work or retire.

How much will I pay?

There are many factors that will determine the cost of your life insurance premium, and this depends on your circumstances and the type of life cover you take out. Broadly speaking, the greater the likelihood of the insurer having to pay out, the larger the premium. The factors listed below could have an impact on the cost of your insurance:

- Your age
- Your health
- Where you live
- The amount of cover
- The term of the policy
- The premium type (i.e. fixed or reviewable)
- Additional features selected

Underwriting

Once you have applied for a protection policy, the insurer will usually collect information regarding your health, and in some instances will request reports from your GP. This process is called underwriting and is the main step in establishing the outcome of your application. You could be accepted on standard terms, accepted with an increase to the monthly premium, or your application could be rejected.

It is vital to be open and honest about your medical history, as this could have an effect on any future claims.

Summary

We hope this guide allows you to approach your financial future with confidence, knowing that the skills you've gained here will help support and guide you at every stage of life's journey. Remember, taking control of your finances now is the key to a secure and brighter tomorrow.

Should you wish to have a chat with one of our advisers then please do get in touch; we will be happy to talk to you.

Glossary

APR - Annual Percentage Rate is the interest rate for a whole year, allowing borrowers and savers to better understand and compare deals.

Asset Class - A collective term for assets of a similar type such as equities, bonds, cash and property.

Bond - A debt investment where you loan money to an issuer such as a company or government, in exchange for your money the issuer will pay you a pre-determined rate of interest and return your capital on a specified date.

Corporate Bonds - A debt instrument created for the purpose of raising capital by a company.

Compounding - The ability of an asset to generate earnings, which are then reinvested in order to generate their own earnings, resulting in faster investment growth.

Credit Score - A three-digit number calculated form your credit history used by lenders to determine your credit worthiness.

Diversification - A method of portfolio allocation and management aimed at balancing risk and return by spreading investments across different securities or sectors.

Dividend - A payment from a company to its shareholders. If a company issues a 20p dividend, investors receive 20p for each share they hold.

Dividend Yield - A financial ratio that indicates how much a company pays out in dividends each year relative to its share price. It is often expressed as a percentage.

Equities (also known as Shares) - A stake in a company which gives the holder ownership rights and represents a claim on a proportionate share in the corporation's assets and profits

ETF - An exchange trader fund. A type of pooled investment which usually aims to track a particular index, sector, commodity or other asset price.

Gilts - Bond that are issued by the British Government to meet the budget deficit shortfall.

Index - An index tracks the performance of a specific stock market such as the FTSE100.

Inflation - Is a general increase in prices and fall in the purchasing value of money.

Interest - The return earned on monies that have been loaned or invested.

ISA - Individual Savings Account. A tax wrapper available to UK residents that allows you to invest in either cash or stocks and shares, you don't pay tax on the income generated and the profits don't attract capital gains tax.

Mortgage - A loan taken out for the purchase of property. This is a secured loan meaning that bank can take ownership of the property and sell it if you are not able to keep up your repayments.

National Insurance - Contributions to the government to qualify for certain benefits including the state pension.

Pension - A tax efficient wrapper and way of saving money for your retirement with money saved up through a person's lifetime which they can access in retirement.

Reward - The return on your investment.

Risk - The chance that an investment's actual return will be different than expected and the possibility of losing some or all of the original investment.

Stock Market - The stock market is simply where shares are bought and sold by investors.

The current favourable tax treatment for pension and ISA saving is subject to change in the future and may vary according to your individual circumstances.

The price and value of investments and the income, if any, from them can fall as well as rise. Past performance of investments is not necessarily a guide to future performance. Changes in the rates of exchange may adversely affect the value of non-UK shares.

Whilst every care is taken over the information in this guide, no responsibility is accepted for errors and omissions that may be contained herein.

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