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VIEWPOINT

PINK FINANCIAL CONSULTANCY

Please enjoy reading our newsletter. If you would like to discuss any of the articles further, please do not hesitate to contact us.

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Five practical reasons you should create a financial plan with your partner

Money and financial goals are still sometimes viewed as taboo subjects, even within relationships. If you've been putting off conversations about finances, creating a plan together could have many benefits.

Actively talking about money can be positive for both you and your loved ones, and research suggests it's something younger generations are more likely to do. According to Royal London, 76% of 18 to 24-year-olds spoke to their parents about money matters when they were growing up. In contrast, this falls to 43% for those over 65.

If money wasn't openly discussed during your childhood, it can be hard to change your mindset around the topic. Yet, when you're planning a future with your partner, your finances will play a critical role. So, if you currently keep your financial planning separate, working together could be useful.

That doesn't mean you have to share everything or combine finances completely if it's not right for you. Instead, you could set out how you want to work together with a financial planner.

Contact us to create a financial plan for you and your partner

We are here to help you navigate the challenges of creating a tax efficient financial plan, and understanding your goals. If you'd like to arrange a meeting with us, please get in touch.

The value of your investment can go down as well as up and you may not get back the full amount you invested.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.

Bearing all this in mind, here are five reasons you should create a financial plan with your partner.

1. Understand what you both want to achieve
While you may have talked about your goals in your relationship, setting out a financial plan provides a good opportunity to talk about your priorities and understand if you're on the same page as your partner.

This may include when you'd like to retire, and what your lifestyle will look like when you give up work. Or it could be how you'll support your wider family or bucket list destinations you want to visit.

Making these goals a clear part of your financial plan means you're far more likely to achieve them. Without a plan, it can be all too easy for aspirations to fall to the wayside.

2. Discuss your attitudes to financial decisions
When dealing with finances, it's important that you're comfortable with the decisions you make. This applies to both you and your partner if you're working towards shared goals.

For example, how does your partner feel about taking investment risk? Or what is their attitude to using credit? Talking about these issues can help you create a financial plan that you're both comfortable with.

3. It could improve your wellbeing
Money is often linked to stress, and it can affect your overall wellbeing too.

Research shows that financial stress can increase later in life. This is understandable as, on top of considering things like mortgage repayments and day-to-day costs, you may also be thinking about retirement or supporting other family members. According to Aviva research, more than 40% of 55 to 64-year-olds say they are "struggling financially".

A long-term financial plan that incorporates you and your partner's circumstances and goals can deliver peace of mind.

4. Have confidence in the future
One of the reasons that the topic of money can be stressful is that you may have questions about the future or wonder what will happen in some circumstances. For example, you might be concerned about the consequences of you or your partner losing your income, or how one of you would cope financially if the other passed away.

Financial planning helps you set out a blueprint, but it also considers how you'd cope if the unexpected happens. By doing this, you can take steps to provide security in these circumstances.

By planning together, you can have confidence in both your and your partner's long-term financial security.

5. It could help make your money go further
Planning as a couple can make financial sense. Working together could mean you're able to make the most of tax breaks or allowances.

Which ones are right for you will depend on your circumstances and goals but may include using the Marriage Allowance to reduce Income Tax liability, making use of both of your annual ISA allowances, or contributing to your partner's pension.
If you have any questions about tax efficient financial planning, please contact us.

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Home insurance explained

This year sees new rules from insurers that could bring you savings on your home insurance renewal.

The Financial Conduct Authority (FCA) has announced that insurers will have to offer the same deals to new customers and renewing customers for their home insurance.

Home insurance customers are particularly affected by hikes in renewals, so this is a good time to review your policy with your financial adviser.

What is buildings insurance?

Buildings insurance covers the building itself and its structure – like the roof, floors, windows and in some cases external walls and garages. It will also cover permanent fittings in your kitchen and bathroom (but not your boiler – you'll need specific boiler protection for that).

Mortgage lenders require homeowners to have buildings insurance in place. It's there to protect your property's structure from damaging events like fires, storms, earthquakes, flooding and natural disasters, as well as things like subsidence and even malicious damage or vandalism.

What does buildings insurance not cover?

Buildings insurance won't cover:

- Accidents or normal wear and tear in the home
- Issues arising from neglect of the property
- Damage to gates, fencing or plants
- Effects of frost to external pipes and brickwork
- Damage from pests, insects or birds

To cover some of these issues, your insurance provider may offer accidental coverage as an extra to your policy – but you'll pay more for it. Your adviser can help you decide whether the cost of accidental damage cover is worth it in terms of what the policy actually includes.

It's worth noting that buildings insurance coverage is invalidated if the property is left unattended for more than 30 consecutive days.

What does contents insurance cover?

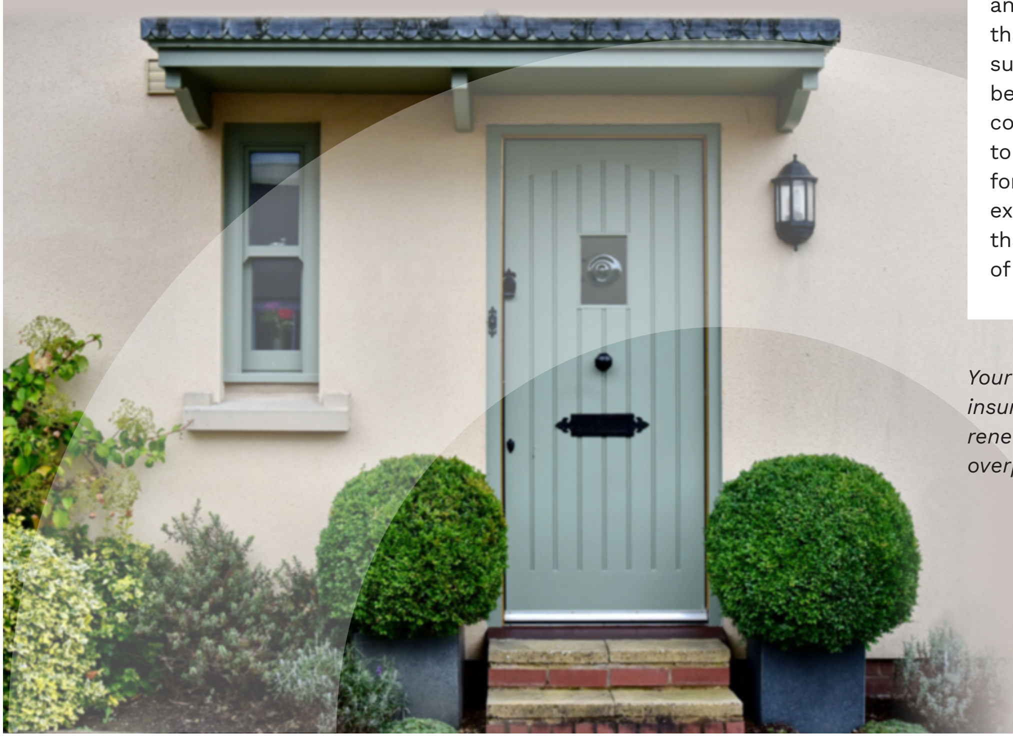
In a home insurance policy, the contents coverage allows you to select a sum of money (for example £10,000) that you estimate will cover the replacement of contents inside your home if they are damaged, destroyed or stolen.

These items could include electronics and entertainment consoles, kitchenware, furniture, antiques, gym equipment and jewellery. If you have a particularly expensive single item (like a piece of jewellery, a watch or a painting) you may have to declare it separately, depending on your provider's conditions of coverage. This could increase your insurance premium, however. We can help you assess your contents and what your level of coverage should be.

Do you need contents coverage?

Although contents coverage is not compulsory when you own a property, most owners take out some cover (and most providers offer a discounted premium if you have buildings and contents insurance together). Having both means if you need to make a claim for something that affected the building but also some of your contents (for example, flooding damage to your home's foundation and soft furnishings) you would be able to claim for both – using the same policy.

Even if you are renting a property, some contents cover is a good idea to insure your valuable items and provide peace of mind should anything happen.



Home insurance
How we can help you save

Your adviser can search the market and find a home insurance policy that covers your property's structure sufficiently, along with giving you the best advice on how much contents cover you really need. We're here to make sure you're not overpaying for a renewal and will examine your existing plan's small print to check that it properly covers at-risk areas of your home and meets your needs.

Your adviser can help review your home insurance – especially when it's time to renewal – and help ensure you're not overpaying for your policy.

Cost of living crisis: Why you should review your budget and plans

The cost of living is rising. Reviewing your finances now is crucial for understanding what effect inflation could have on your lifestyle and long-term plans.

Inflation was at an almost 40-year high. In the 12 months to August 2022, it was 9.9%. There are several factors contributing to rising inflation, including the conflict in Ukraine, which has disrupted energy and food supplies.

Rising inflation means now is the ideal time to review your budget

Keeping track of your finances during the cost of living crisis is crucial. In the short term, you should review your budget. Can your budget absorb the higher costs, or do you need to make lifestyle changes?

The Bank of England expects inflation to peak at around 13%. It's also said it doesn't expect the rate to fall to its target of 2% for several years.

So, you should look at what that means for you in the coming years. Will rising energy prices mean you need to be more mindful of energy use or cut back expenses in other areas?

While the headline inflation figure can give you an idea of how prices are changing, your personal inflation rate may be very different. If you commute long distances, for instance, the steep rise in fuel costs may mean your outgoings rise more than you expect.

Going through your budget and calculating how your regular costs have changed in the last year can help you better manage your finances.

In some cases, you may decide to draw on savings or other assets to bridge a gap if your expenses rise. You should ensure this is sustainable.

The steps you take could affect your long-term plans

While it's important to focus on how the cost of living crisis is affecting your finances now, don't forget to consider the long-term effects too. Decisions you make now could affect your income and financial security for years to come.

If you're using assets to create an income, such as your pension, you need to be aware of how increased withdrawals may affect you. Could taking a higher income from your pension now to cover costs mean that you deplete your savings faster than you expect? If so, it could mean you face an income shortfall later in life.

Research also suggests that some people are cutting back outgoings that could improve long-term financial security. According to Canada Life, 5% of adults have already stopped contributing to their workplace pension due to budget pressures. A further 6% are actively thinking about pausing their pension contributions.

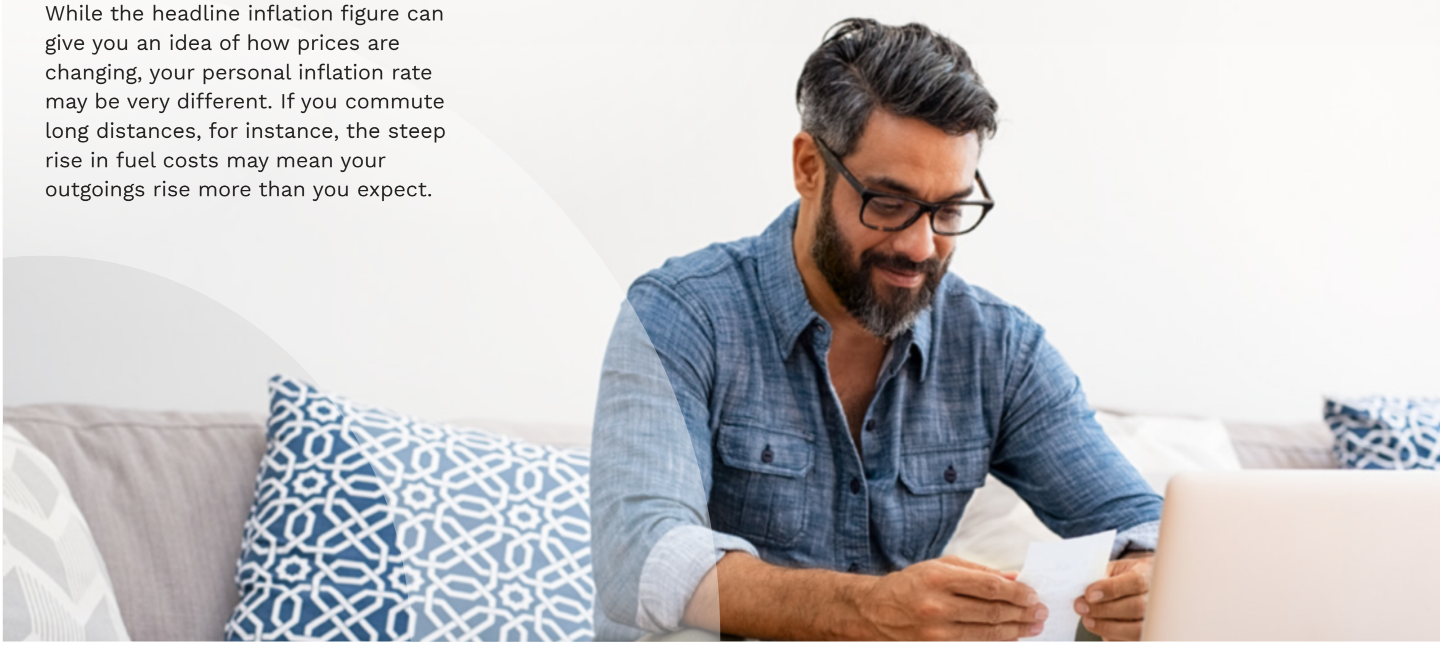
While pausing contributions for a few months may seem like it will have little effect on your retirement, it can be larger than you think. The power of compounding means that pausing pension contributions for just a year could reduce the value of your pension at retirement by 4%.

It's not just stopping pension contributions that could affect your long-term plans. Things like reducing how much you add to your savings account or investment portfolio could affect whether you can reach your goals in the future, whether that's to support children through university or retire early.

Contact us to review your finances

Amid the current economic uncertainty, reviewing your financial plan can give you peace of mind and confidence. We'll help you understand how your current budget has been affected and the steps you can take now to create long-term financial security.

Please contact us to arrange a meeting to discuss your goals and the effect the cost of living crisis could have.



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