YOUR FAMILY,
YOUR FINANCE,
YOUR FUTURE

three counties

BEYOND WEALTH MANAGEMENT

CONTENTS

‘INSANITY IS HEREDITARY, YOU CATCH IT FROM YOUR KIDS’!

If this resonates with you, well, we already have something in common.

I’m a Financial Planner who is a recent survivor of a Cold Feet-style, mid-life financial crisis that seems to come as part of the T&C’s of a life of juggling careers, children and borrowing.

I hope this guide will offer some useful tips, or at least encouragement, so that once your young family are not-so-young, you can excitedly look forward to your hair transplant, facelift or Harley Davidson (other mid-life crisis fantasies are also available!)

Though research tells us that earnings typically peak between the ages of 40-49, this also typically coincides with a period of our lives when outgoings are at their highest.

Mortgages and loans would often be our largest commitments and first priorities on incomes. You may at some stage, need a bigger home, a bedroom each for your children; especially important if they are moody teenagers (is there any other kind of teenager?), and the daily commute is so much harder if home isn’t close to their schools – as my three children’s occasional detentions for my late-arrivals to school will testify!

Potentially this is an age when your own parents would be requiring support, either financially or in terms of time, both of which may well be already stretched.

Holidays outside of term-times are three times (or more) of the price of their non-term time equivalents and that’s before you even get there!

There are though quick-wins I often highlight to my clients with families which will make a real difference to the financial comfort of your family....and potentially nip the hereditary insanity in the bud before it really takes hold!

MORTGAGES

Check Your Rate!

This is very likely to be your biggest outgoing and over time, your home will hopefully prove to be a profitable investment with the added bonus of countless happy family memories.

Lenders are sympathetic around extending mortgage terms which then reduce monthly payments. While you should tread with care, as the longer the mortgage term, the more interest you will repay, there would be a case to say that if reducing your monthly outgoings by extending your mortgage term and lowering your monthly mortgage repayment means a family holiday that you otherwise couldn't afford, this is a great investment in your family life.

In my years of advising clients, I hear time and time again retirees tell me that after a lifetime of being frugal, usually at a time when they were raising their own families, they would gladly have swapped a little of their later-life financial security for more travel or an improved lifestyle when their children had been younger.

One word of caution though – it is my firm belief that mortgage protection, ensuring you are covered in the event of death, serious illness or loss of earnings are in my view essential and that looking to save money by reducing cover may prove to be a seriously false economy.

QUICK WIN

Check if your existing mortgage rate is competitive particularly if you are already on a variable rate or a currently nearing the end of a fixed or discounted deal then I'd encourage you to talk to your lender. Renegotiating a deal with your existing lender who is already fully aware of your credit history and track record of making monthly repayments can often take just minutes!

Please be aware that Three Counties do not advise on mortgages and debt and this is for general information purposes only. As a mortgage is secured against your home, it could be repossessed if you do not keep up the mortgage repayments.

CREDIT CARDS

Use wisely!

Used well, these can be incredibly valuable for their purchase protection benefits (I learned this when a family holiday was not paid for on a credit card to a firm that went out of business the day before we travelled) as well as their usefulness in smoothing out the more expensive periods of the year (all year if you have children?!).

Used badly however and they can undermine the best laid of financial plans. Typical interest rates of 18.9% and more, mean that making minimum payments are an expensive way to borrow. By making a £50 per month repayment on a £1,000 balance, the loan will take two years repay at a cost of £190 interest.

Credit card payment protection is mandatory under the Consumer Credit Act for all purchases over £100 and under £30,000. Debit cards don't offer this protection which is one of the reasons why it can be a good idea to use your credit card to pay for purchases over £100.

Credit card protection can help to cover the cost of your purchase when:

- ***The retailer goes out of business before you've got your purchase.***
- ***Buying an item that's damaged or faulty and the retailer cannot or will not refund or replace***
- ***Your item arrives and it isn't the same as the description***
- ***Your item doesn't arrive but you've been charged***

QUICK WIN

Ideally, repay balances on time and in full so no interest is paid. If this isn't realistic, use comparison sites to find 0% interest deals which are available for up to 30 months in some cases, though always have a Plan B so that if for whatever reason, these deals are not available in the future there is a strategy to repay any accrued debt.

Please be aware that Three Counties do not advise on mortgages and debt and the comments above are for general information purposes only.

> PLANNING FOR RETIREMENT

Do You Know What You Have and Where it is Invested?

Early retirement will maybe never seem so attractive that at that stage in life where juggling family commitments coincides with peak career responsibilities.

Since April 2017 employers have been obliged to provide a Workplace Pension for their employees. While, as discussed earlier, outgoings may be stretched to their limits, somehow pension contributions which are deducted from gross income, and don't get as far as your straining bank balance, seem easier to swallow.

The nature of modern employment means that few people will have one employer or one single pension fund throughout their working lives and it's easy to lose track of your retirement savings.

If you know or think you know, that you had a pension from a previous employer who has since lost contact with you (not everyone would think to tell previous employers when they change address) a free-to-use Government department, The Pension Tracing Service https://www.gov.uk/find-pension-contact-details can help trace these 'AWOL' pension funds. Often the only information they need to locate your pension savings is your National Insurance Number.

Usually a Workplace Pension holder has access to an online portal and has the ability to change the fund into which their pension funds are invested. Online investment risk questionnaires will be a good starting point as to the level of investment risk you are comfortable with for your own pension as opposed to the default investment fund chosen by your employer or insurance company.

And if retirement could be twenty years or more away, investment performance would suggest that a more adventurous investment strategy has historically tended to outperform their more cautious counterparts over longer periods of time.

QUICK WIN

Ensure you are receiving your maximum employer contributions. While to meet Auto-enrolment pension scheme standards, employees must contribute a minimum of 3% of qualifying earnings to supplement an employee's 5% of qualifying earnings, some employers are prepared to pay more than these minimums, in some cases matching or more than matching increased employee contributions.

These increases in your own contributions are less painful when deducted from a payslip that the same contributions might if they were made as a monthly direct debit. Any additional employer contributions are as good as a pay rise – ask your boss or HR department for a pension pay rise!

UTILITY BILLS

Shop Around!

This could be a very profitable way to spend half a day. There is low-hanging fruit waiting for Utility customers willing to ask for better deals.

I often use an hourly rate comparison. If your employer asked you to come in for half-a-day for say £200 to £500 net of tax, would that seem a decent hourly rate? But just a few hours online shopping around for competitive car and house insurances on comparison websites can sometimes save hundreds of pounds.

Mobile phone contracts are 'front loaded' to cover the cost of your phone. Typically, the contract might be for two years and if you want or need a new phone, shop around and compare your existing provider against their competitors who spend millions advertising to attract new customers and, while this may not always be the case, may save their best deals for these potential new customers.

But what if the phone you have does everything you need and is one of those rare things, a two-year-old phone that hasn't been dropped and had its glass screen smashed?!

This is where a SIM only deal comes into its own and again, could save £200-£300 per year over and above your existing contract. Again, the mobile phone companies may not proactively contact you to reduce your monthly bill, you will need to ask for it!

QUICK WIN

Are you a Subscription TV subscriber and not tied into a contract? Contact your TV provider, tell them just how disinterested you are in anything they show, have much too exciting a social life to watch TV and if ever you do watch anything, its invariably Freeview or Terrestrial TV.

Give them 30 days' notice to cancel, then one of two things could happen. As long as they have your marketing permission, you can expect a call, from a 'Retentions Adviser' who will have the authority to haggle with you to change your mind in which case you find a compromise for a price you are happy to pay.

Sometimes the real price is half price but again, only if you ask. The other scenario, even more ridiculously which I've experienced, is that within seconds of me giving notice to cancel a subscription, I received an email offering 'Welcome Back with 50% off'! This may not always be the outcome but I believe it is worth a call to find out.

SAVING FOR YOUR CHILDREN

Student Loans & Junior ISAs

In the years when Childcare costs begin to reduce is a time to consider saving for children's futures. I've not yet heard of the child who couldn't think of reason to use the savings built up for them!

According to Land Registry, the average house price in the UK is £256,000 and given that most mortgage lenders require a deposit of at least 5% and more for more competitive deals, this would require a deposit of over £12,800 and this is before taking legal and other costs associated with a house purchase are taken into account.

University tuition fees are up to £9,250 in tuition fees and once accommodation costs, living costs and text book costs (no, you don't get those for your £9,250 in my experience!) student loans soon mount up. Then consider that courses last anywhere between three and seven years – and don't dare think about gap-years or changes of degrees one or two years' in!

The younger your children are, the greater the chances that the current rules around student finance will change over time, but under current rules, individuals with student loans in England do not pay anything back until their annual income exceeds £27,248.

While on one hand interest is accruing on the loan, on the other, by not paying the costs in advance, acts almost like an insurance policy. If the former-students income doesn't reach that level, and in some parts of the country that is almost the average salary, no loan payments are required.

Also, debt is written off after 30 years. Consider then likelihood that degree or no degree, your student may not earn enough or for long enough to pay the full cost of the loan.

QUICK WIN

Look into Junior ISAs as a tax-efficient savings plan for your children. It is possible to save in up to £9,000 in the current tax year 2021/22 and both deposit-based Cash Junior ISAs and shares-based Stocks & Shares Junior ISAs are available. To be eligible a child must have been born before September 2002 or on or after 3 January 2011. Upon reaching age 18 the ISA reverts to a fully-fledged adult ISA.

While most children will not have income sufficient to become tax payers a lesser known tax rule means that interest gained from money given to a child from a parent or step-parent becomes taxable if it exceeds £100 in a tax year. So, a father placing £30,000 into his under 18-year-old daughter's account at 1% would generate £300 in income but the whole £300 is taxed on Dad.

If he is a basic rate tax payer £60 income tax is due or in the case of a higher rate taxpayer, £120 of the £300 interest is lost to tax.

Parents gifting their children money into Junior ISAs are not subject to these tax charges.

SUMMARY

I very much hope that you and your family benefit from one or more of the relatively straightforward and not too time-consuming tips I have outlined.

I would be delighted to discuss any of the above in more detail and can offer a without cost and obligation, one-hour financial review to identify areas specific to your own family's circumstances in order to agree a financial plan to benefit you all both in the short and long term.

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