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James Weir Financial Services LLP

www.james-weir.com 0208 773 8885

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The value of protection advice

Protection should be considered as the foundation of all financial planning. After all, if things go awry and you suddenly find yourself in dire financial straits, who or what could you rely on to keep you and your family afloat?

Yet many of us are still reluctant to take out protection insurance, either because we think we can't afford it, or we believe "it won't happen to me". And if you're one of the millions of people living with a medical condition, you might think you've no chance of finding a policy that suits you.

The facts about ill health

4 million people in the UK are living with diabetes, 7 million with a heart condition and an estimated one in two people will be diagnosed with cancer during their lifetime, but the majority of people in all these cases won't have protection in place.

Even if you're in good health, a loss of income due to illness, injury or death could hit you hard – especially if you have loved ones who rely on you. So, if you don't have protection in place, the question is, do you believe the support you'd receive from the government and / or your employer would see you through the financial impact of lost income due to ill health or the death of a partner? Or perhaps you'll rely on your savings to pay the mortgage and bills and keep your fingers crossed you'll be back at work before you go into overdraft?

Unfortunately, the reality according to AVIVA's 'Protecting our families report' found that 76% of parents have no financial plan in the event of ill health, with slightly less (68%) unsure whether their family would cope financially with the death of either themselves or their partner. These are worrying numbers, especially when you consider these families will typically have insured their homes, pets and smart phones before thinking of insuring their most important asset - themselves.

60%
of obese people

60%
of type 2 diabetes sufferers

66%
of cancer sufferers

have no protection insurance in place.

We're here to help

That's where we come in. As members of the UK's largest financial adviser network, we can access a panel of protection providers, including specialists that offer affordable protection policies specifically for people with ill health.

We will take the time to get to know you and understand your circumstances and objectives. We can help you set out your financial needs and find an appropriate way of protecting them, whatever your circumstances.

Please get in touch to find out more.

BECOME A SUPERHERO

IN THE EYES OF YOUR FAMILY

When he was younger one of my son's favourite questions was; *"if you could have any super power, what would it be?"* He loved the idea of being a Superhero.

I think, deep down, we all like the idea of being a Superhero. Being able to do things others can't; amazing things to help those around you.

Now I can't grant you any super powers (sorry) but I can help you do something amazing to help those you love. Best of all there's no need to be bitten by a radioactive spider, hit by a strange space mist, or hail from a different planet.

And there's no need to be a heroic billionaire looking to save the city with an arsenal of high-tech gadgets. No, your new super powers are just going to need a little money.

How do these powers sound to you?

- If you die unexpectedly for any reason your family has the mortgage paid off, or there's a lump sum available to help them out
- If you are struck down with a serious illness and need to take time off work, someone else pays the bills - and maybe they clear the mortgage too
- If you have an accident and break a bone (maybe whilst fighting crime?) someone pays money into your bank account to help ease the financial pain a little

Now, I know it's not like you can stop a bullet, or run faster than the speed of sound, but they're still pretty useful powers for your family.

Best of all, there's no need to pay for them in one go. You can rent your super powers for just a little each month. In fact, you might be surprised how little it could cost to become a superhero.

To find out more about our range of personal and family protection insurance, please get in touch.

Please note - we can't guarantee any form of comic book franchise off the back of your new powers, nor can we promise your new powers will make you "cool" with your kids. We'd also not recommend actually trying to fight crime.

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How to prepare financially for long-term illness

While British life expectancy continues to rise, the same might not be said for the quality of health we could expect to enjoy as we get older, according to a stark warning from The British Heart Foundation. Their analysis suggests the number of people suffering heart attacks and stroke because of a rise in diabetes diagnoses could rise by 29% over the next two decades.

While this could be blamed on worsening lifestyles and a growing obesity problem, demographic changes such as an ageing population mean the number of people with chronic or long-term conditions is also likely to increase. This puts extra strain on the NHS as it tries to keep pace with society while managing the cost pressures this inevitably puts on our health and care system.

And it's not just the NHS that has to foot the bill when it comes to treating ill health. Ask yourself, how would your family cope if they couldn't rely on your income for a long period of time? Could they sustain their hard-earned lifestyle if you were to die suddenly?

All the same, it won't happen to me...

Unfortunately, the reality of suffering a serious illness or dying suddenly suggests otherwise:

1 in 2 people in the UK will be diagnosed with cancer in their lifetime

Every five minutes someone suffers a stroke in the UK

Around 42,000 people under the age of 75 in the UK die from cardiovascular disease every year

Critical illness cover or life insurance may not sound like priorities for you, but the financial buffer they can provide at such a difficult time could be invaluable.

Appropriate protection, such as life or critical illness cover (written in trust) can help you, your business partners or your loved ones avoid financial difficulty at an already traumatic time.

There are three main types of cover that can be invaluable in this situation:

Income protection
or permanent health insurance, will give you a small salary if you cannot work, which will last until you return to work, retire, die or the policy ends.

Critical illness insurance
will pay you a tax-free lump sum on the diagnosis of a range of serious (but not fatal) conditions including heart attack or stroke.

Health insurance
also called private medical insurance, will pay out for the cost of medical treatment required for an illness or injury.

But insurers never pay out?

If you're put off buying protection because you don't think it will pay out when you need it, think again. According to the Association of British Insurers £5bn was paid out on protection claims in 2017, the equivalent of 98% of all protection claims received during the year.

For more information on how an insurance policy could help you and your family if you were hit with a long-term illness, please get in touch.

Deadline to Breadline

For its latest 'Deadline to Breadline' report, Legal and General surveyed 2,000 full and part-time workers to assess how long they could survive on savings if their income stopped due to serious, or long-term illness, or death. The rather worrying answer was 32 days.

The research also revealed that just over a quarter wouldn't have enough savings to last them a week and 30% of UK workers have no financial back-up plans whatsoever - despite the average household debt standing at around £4,600. This lack of preparedness would result in potentially serious financial exposure if things went awry.

UK Protection gap

L&G's research is important because it highlights just how many people could be gambling with their homes and their family's wellbeing, by not having a back-up plan. And when you consider that the average UK gross annual salary is £28,677, the support you could expect from the State is not sufficient to provide a reasonable safety net, especially if you are the sole breadwinner.

Statutory Sick Pay can be paid for up to 28 weeks @ £92.05 a week

Employment and Support Allowance @ up to £73.10 a week for the first 13 weeks then up to £110.75 after that (for a single person)

For less than the cost of a daily cup of takeaway coffee you can help protect yourself and your family and be in a better position to deal with the consequences that could occur from illness, accident, unemployment or death. That's why, when we talk to clients about protection, we talk about value, rather than cost.

How can you protect yourself?

If you have a mortgage or people who rely on your income it's important to take steps now to understand what would happen if your income suddenly stopped. If you have any existing insurance policies, check the details to make sure they reflect your current circumstances and would still meet your needs if you needed to make a claim.

If you don't have cover in place we can talk to you about a range of different types of protection insurance that would help to pay the mortgage and provide a financial lifeline for your family if you were temporarily, or permanently, unable to provide for them. This includes cover for serious and critical illness and income protection, which pays out a regular tax-free income if you're unable to work. We can also advise on a range of life insurance plans, including:

Term insurance - normally taken out to cover mortgage payments, these plans are the simplest form of life insurance and can be tailored to suit your budget.

Family income benefit – pays out a regular income as an ongoing lifeline for dependants.

Whole of life insurance - lasts as long as you do (or until you stop paying the premiums) and provides a lump sum on death.

With some types of life cover it's also important to consider writing the plan in trust. This is a legal document that allows you to determine what happens to the money after your death and can ringfence the pay out from inheritance tax.

Whatever your situation, advice is important to make sure you get the most value from your protection insurance. Please get in touch to find out more.

How a trust can help your financial planning

Writing a policy in Trust could be perceived as something that only the wealthy require, but the reality is Trusts can play an important part in financial planning for people from all walks of life.

When it comes to planning your family's financial future it makes sense to take all steps possible to help protect their current, and future, standard of living. As part of this, it's important to make sure any policies you have in place will pay out to those they are intended to benefit, and this could mean writing the policy in trust.

If you're thinking of putting a life policy in trust, please talk to us first. We can tell you which type of trust is most appropriate for your circumstances and help you put the trust in place.

The three most common types of Trust are:

Bare Trusts

Typically set up to pass assets to young people. When the beneficiary turns 18 (16 in Scotland), they can use the capital and income held in the trust in any way they choose. Bare Trusts are treated as Potentially Exempt Transfers (PETs) which means inheritance tax would be payable if the trust settler dies within seven years of setting up the trust.

Discretionary Trust

Here, trustees can make certain decisions about how the beneficiary uses the assets held in the trust. For instance, what gets paid out and to whom and how often payments are made. They can also impose certain conditions if, perhaps, they deem the beneficiary is not responsible or capable of dealing with the money themselves.

Interest in possession (IIP) Trust

Under this type of trust, a beneficiary is entitled to the income generated by the trust as it arises, which will be subject to income tax. They are unlikely to have any rights to the capital, which will pass to another beneficiary in the future. A common use of an IIP trust is for it to form part of the will of someone who remarries after divorce and wants their children from their first marriage to continue to receive financial support.

Despite the positive impact setting up a policy in trust can have on your financial planning, only 6% of life insurance policies in the UK are set up in trust, according to insurer Aegon.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. The Financial Conduct Authority does not regulate Trust Advice.

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First-time buyers: Boost your mortgage chances

Applying for a mortgage and the admin that comes with it may seem like a stressful process but these few tips can help make the process easier.

To discuss your mortgage needs, please get in touch.

You've decided to take the plunge and get onto the property ladder, having swapped fun and frivolity for fastidious frugalness to save the deposit. But what can you do to boost your chances of getting your first mortgage?

Check and correct

The three main credit reference agencies, Equifax, Experian and Callcredit, will all use data to score you differently. Lenders will use one or more of these agencies to decide whether to offer you credit.

The general rule is, the higher your credit score the better, so if after checking you feel your score is low you can do things to improve it. For instance, if there are errors on your file you can write to the credit reference agency and ask them to add a notice of correction to your file. You should also check you're not linked financially to anyone, eg. an ex-partner or old flatmate. Their credit history could affect yours so make sure you've organised a 'disassociation' with the credit agency.

Address your address

Make sure all your bank accounts, any credit cards and loans are registered against your correct current address. Contact any financial institutions that hold incorrect information to update the details and take the opportunity to ask them to close any old and unused accounts.

You should also check you're on the electoral roll as lenders will use this as part of their identity checks on you. You can register for free at www.gov.uk/register-to-vote

Manage your money

As the proverb goes "look after the pennies and the pounds will look after themselves" and this is particularly true when thinking about applying for a mortgage. Lenders will look at your credit record and spending habits, so in the months leading up to your application make sure you pay all bills on time - set up a direct debit if this makes it easier to manage. Cut back on spending from any current accounts and on any credit cards. Try and stay out of your overdraft and don't apply for any new credit in the run up to your mortgage application.

Have your paperwork ready

Your lender will ask for a range of documents, including three months' bank statements and payslips, ID documents, proof of address, proof of bonuses etc. Get these up together in advance to avoid unnecessary delays in the application process.

Arrange an Agreement in Principle (AIP)

AIPs are offered by many lenders as a conditional offer of acceptance. If you have this in place in advance of your purchase it will give confidence to the seller and their estate agent that the sale will complete.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTAGE

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Shining a light on home insurance

Home and contents insurance seems to be a mystery to many households according to research by the Co-Op, which found more than five million have no cover despite the average value of contents reaching almost £40,000.

Top 10 regions without contents cover:

North East	31%
Northern Ireland	28%
Wales	25%
London	24%
South East	24%
East Midlands	23%
Yorkshire and The Humber	19%
South West	18%
North West	18%
East Anglia	17%

On the face of it, this type of insurance seems straightforward. It covers you for the loss of, or damage to, personal possessions in your home; ranging from laptops, TVs and furniture to clothing and jewellery. It's perhaps when you get to the small print that the problems start.

In fact, 42% of the people surveyed said they find insurance policies confusing and 92% would like insurers to make policies easier to understand. It's easy to see how this confusion could put someone off taking out cover, or prompt them to choose the cheapest policy available. And when you put price before value you risk taking out cover that lets you down when you need it most.

Evidently the insurance industry should do more to make their policies easier to understand, but there are a few steps you can take to make sure you find appropriate, good quality cover that fits your circumstances. If you're confused about the cover you have, or you're about to take out a new policy, these are some of the things we think you should consider:

Key steps to take

1. Check the insurer's definition of valuables
2. Find out if the policy comes with accidental damage as standard – many don't
3. Don't underinsure, make sure your possessions are covered for the right price and tell your insurer about any particularly valuable items
4. Check if the contents of your garden shed or outbuildings are covered
5. If you live in a flood-risk area, check your insurer's policy on flood damage
6. Check the policy exclusions before signing up
7. Keep your policy up to date to allow for new purchases

Don't stay in the dark about home insurance. Talk to us for expert, tailored advice.

James Weir Financial Services LLP

The Old Bank
3 High Street
Carshalton
Surrey
SM5 3AP

0208 773 8885
enquires@james-weir.com
www.james-weir.com

James Weir Financial Services LLP

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