BARNSDALE
FINANCIAL MANAGEMENT

VANTAGE POINT

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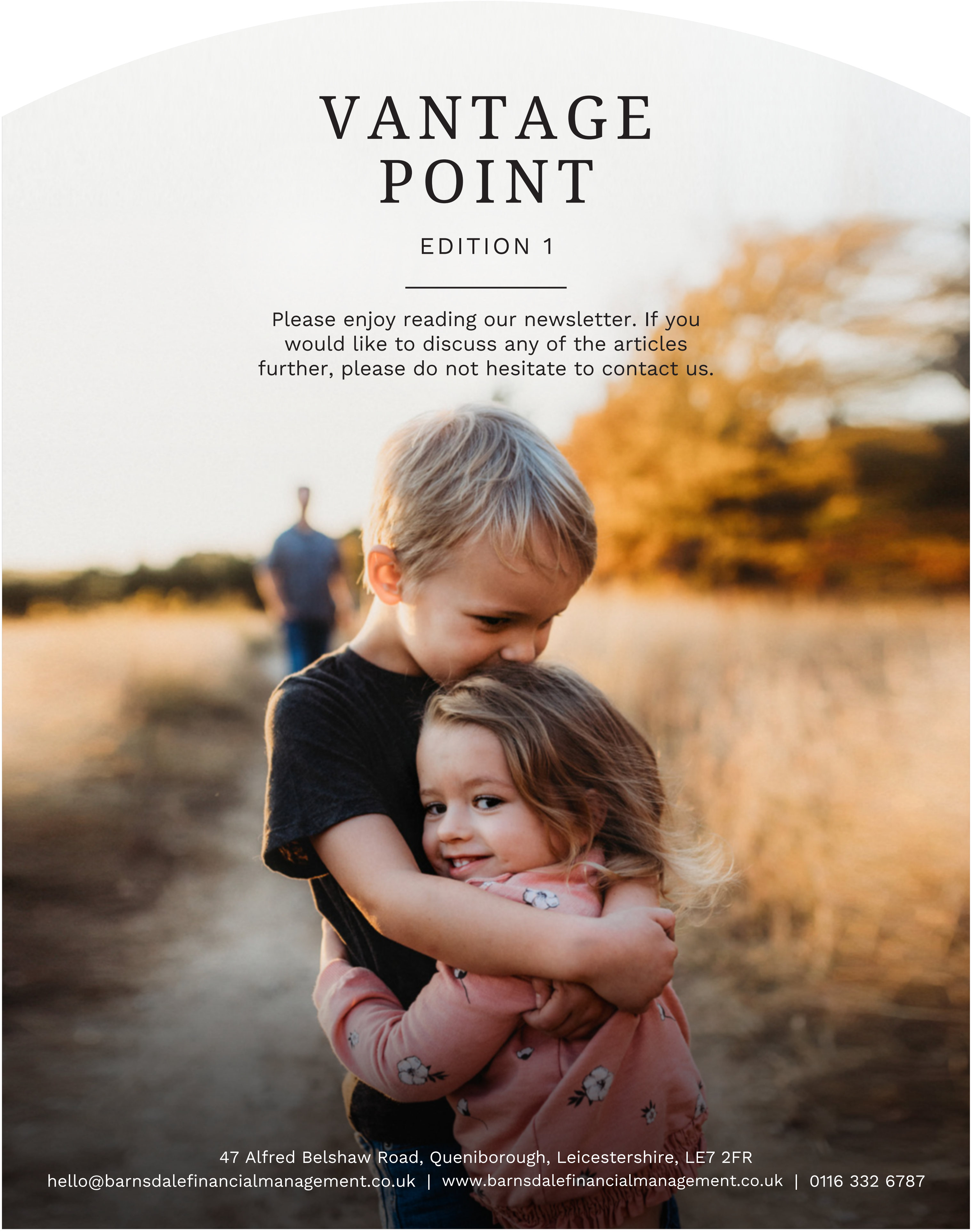

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3 useful ways to manage your finances and boost your financial wellbeing

The cost of living crisis has dominated the headlines since inflation began to creep up from historic lows in mid-2021.

While the Covid pandemic began the inflationary increase, the situation was made worse by the war in Ukraine, which pushed up energy and food prices even further.

Following such an extended period of price rises, you may be concerned about your household finances and long-term plans.

If you want to understand how you can tweak your expenses and finances to best protect your wealth through the cost of living crisis, read on for three practical tips.

01 Keep calm and carry on protecting yourself

It can be easier said than done, but even when your bills are rising and things are looking a bit worrying, staying calm and thinking objectively about your finances really is the best way to approach the challenge.

You might be tempted to start cutting down on your expenses, but one thing it's really important not to cut is your financial protection.

Research has revealed that 1 in 7 people in the UK are considering cancelling their life insurance policies to save money during the cost of living crisis.

Removing a monthly expense such as a life insurance or income protection premium might feel like a smart move in the short term. But things could become even more challenging if you were to fall ill and not be able to work for a few months or longer. If this were to happen when you'd cancelled your cover, you might struggle even more without the potential pay out from your policy.

If you are struggling to pay your monthly expenses, it's important to reach out and talk to an expert. We can help you to see your finances more clearly and to create a plan of action that takes you from worrying about money to feeling in control.

GET IN TOUCH

If you're worried about the rising cost of living and would like to discuss ways to protect your finances from the effects of inflation and rising energy prices, we're here to help. Please get in touch to arrange a time to chat.

02 Reducing debt might be the best place to start

If you want to boost your financial wellbeing, it might be best to begin by reducing your debts to lenders.

If you have high levels of debt, your monthly payments could be one of your most costly expenses. If you have some savings, reducing or eliminating the amount you owe could help free up money to be deployed more usefully elsewhere.

High-interest debt is often tied to credit card debt. If you're carrying a long-standing balance from month to month it could be costing you dearly every month.

To illustrate the potentially damaging effects of interest on debt, if you have £1,000 sitting in a savings account earning 1% interest, you're only making £10 a year. If you have £1,000 on a credit card at 18% interest, you'll be paying £180 a year. Using your savings to pay off the debt will mean you are £170 a year better off.

In short, the sooner you can cancel out debt the better.

If you have debt in multiple places, you might want to consider consolidating them.

There are various options for consolidating debt, but the right solution will depend on your individual circumstances. We can help you understand which course of action might be most suitable for you.

03 There might be some easy cost savings that will reduce your monthly bills

Once these bigger things are taken care of, you can look for some smaller actions you could take to reduce your monthly expenses. Review your bank statement to identify anything that you no longer need. Things to look out for include:

- Streaming services that you rarely or never use
- Subscriptions that you don't get value from
- Gym memberships that you don't use
- Delivery fees for online shopping.

Given the sharp rise in energy costs this year, it may also be helpful to consider how you could use energy more efficiently in your home to save costs.

The Energy Saving Trust reports that the average UK household spends £65 a year powering appliances on standby mode. So, remaining vigilant about turning off appliances like TVs or games consoles when you aren't using them could help to save money across the year.

Additional savings could be made by installing and fully utilising the features of a smart thermostat; the average installment cost is £215. The Energy Saving Trust estimates that a typical household could save £180 a year by using a smart thermostat so that your heating only comes on when you need it.

By identifying and plugging these "money leaks", you may be able to reduce your monthly expenses without having to slash spending on the things you enjoy.

Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.

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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.

How to protect your mortgage

Strengthening your ability to keep up with mortgage payments is important and will give you some peace of mind if your circumstances change.

Life insurance is the form of protection most of us would name as one that could pay down or pay off a mortgage. Yet there are other situations (apart from death) that could mean it's very difficult or even impossible to keep up with mortgage payments for an extended period – without the help from other types of coverage.

Here are some protection policies you might want to have in place (alongside life insurance) to give your mortgage some security if you are unable to keep up with mortgage payments. Your adviser can help you work out the best option for your situation.

Critical illness protection pays out a one-off, lump sum if you're diagnosed with a critical condition or disability that is covered by your policy. It can be offered when you buy for life insurance, as extra coverage.

Income protection pays out a percentage of your monthly income if you are unable to work due to illness, an accident or disability. Depending on the terms, you'll receive a regular income until you either return to paid work, retire, pass away or if the policy term comes to an end.

Mortgage payment protection insurance (MPPI) pays your monthly mortgage payments if you're unable to make them due to an accident or illness.

What's the difference between income protection and MPPI?

Income protection insurance is seen as more comprehensive than MPPI as it covers a proportion of your income and not just your monthly mortgage payments. It could also help to cover monthly bills aside from your mortgage. The period you're protected with income protection tends to be longer than MPPI, too.

Your adviser will help you find a policy that works for you and your needs, in terms of the length of cover you want and how much the premium might be. MPPI premiums could be lower than those for income protection and more affordable.

Our advisers are here to help if you're looking for ways to protect your mortgage.

Think twice: Why cancelling your financial protection during the current cost of living crisis could be a bad idea

Centuries ago, Benjamin Franklin announced that

"By failing to prepare you are preparing to fail".

This is especially true when it comes to ensuring your personal finances are protected from the rainiest of days. However, with the rising cost of living likely putting pressure on your spending, you may be considering cancelling your cover, even when this could leave you more vulnerable than before. Read on to discover some of the reasons you should consider prioritising your financial protection over other cost of living worries.

Rising costs should highlight the necessity of financial protection

A recent survey by Which? has revealed that 65% of households have resorted to cutting back on essentials, selling items, or dipping into savings to pay their rapidly rising bills.

Financial protection products such as life insurance, income protection, and critical illness cover are sometimes the first things that people decide to cancel when things are tight.

However, without financial protection, one unexpected event or serious illness could plunge you into having to deal with a crisis with no financial support in place.

Life insurance means your family will not face financial hardship

Keeping your life insurance policy can ensure your family benefit from financial support if the worst happens.

Without protection in place, your family could perhaps no longer afford their regular outgoings, leaving them in a difficult financial position at what will already be a stressful time.

Cancelling your policy could jeopardise the financial security of your loved ones.

If you're the main breadwinner, without your contribution to the household, your family may struggle to meet their regular financial commitments.

Income protection could support you while you're unable to work

Injury, illness, or an accident could prevent you from working and earning your living at any time, making it hard to meet everyday expenses.

Even if you receive Statutory Sick Pay (SSP), paid at £99.35 a week in 2022/23, it may not be enough to cover your usual expenses and could force you (and your family) to adapt your lifestyle while you recover. Moreover, if you're self-employed, you aren't eligible for SSP.

Income protection could save you from such stress. If illness or injury prevent you from working, you can expect to receive up to around 60% of your wages.

Just as important as a payout, an income protection plan could give you access to rehabilitation services that grant you the ability to work again. As an example, 78% of Aviva customers who had rehabilitation support returned to work.

You could receive cover during a critical illness

If you cancel your critical illness cover to save money, you could find yourself out of pocket if you're diagnosed with a serious condition. You may have to take an extended period off work on a significantly reduced income.

Critical illness provides a lump sum if you are diagnosed with a specified illness such as the following:
Heart attack / Stroke / Cancer / Multiple sclerosis
Conditions may vary between providers.

While it's unpleasant to think about, you should consider your own circumstances and whether you might be vulnerable if you cancel.

Having protection to offset unexpected healthcare expenses could be essential to preserving your financial wellbeing.

You may not feel you need insurance in all the areas discussed here. For example, some employee benefit packages include life insurance, so it's worth checking to see if this is something you already have through your work.

The type and level of protection that is most suited to you will depend on your circumstances. We can help you decide what would provide you and your family with the most benefit and help you understand which policy is right for you, too.

Potential consequences

If you cancel your protection now with the intention of taking out cover again when your finances permit, you may find the premiums are significantly higher – especially if your health has deteriorated since you took out your original protection. You may also find there are exclusions based on pre-existing conditions.

The short-term savings often may not be worth the potential long-term vulnerability you cause yourself.

Your pension could be your "secret weapon" of protection

According to Pensions Age, 86% of savers are not on track to achieve their retirement expectations.

This serves as a caution that foregoing pension contributions could leave you short when it comes to your retirement funds.

So, pausing or cancelling your contributions now could have a negative effect on the size of your pension pot when you come to retire. This may leave you having to compromise on your later-life plans.

Discussing your pension with us could help to prevent overspending or under budgeting that may affect the funds you'd like use for your retirement.

GET IN TOUCH

We can help to assess your financial wellbeing and assist in finding the right protection for you. This can help to safeguard your finances when confronted with unexpected circumstances. Please get in touch to discuss your needs.

Life insurance plans typically have no cash in value at any time and cover will cease at the end of the term. If premiums stop, then cover will lapse.

A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested. The Past Performance warning can be deleted as we are not illustrating any historic returns in this article.

The tax implications of pension withdrawals will be based on your individual circumstances. HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen. Tax concessions are not guaranteed and may change in the future. Tax free means the investor pays no tax. subsequent Finance Acts.

What is critical illness cover?

Whether you need critical illness protection depends on your situation as well as any existing policies you might already have in place.

Critical illness insurance pays out a one-off, lump sum if you're diagnosed with a condition or disability that is covered by your policy. It can be offered when someone applies for life insurance – as extra coverage.

In a similar way to some life insurance plans, critical illness covers a set number of years. You can specify whether you want the payout to rise over the course of the term (so it keeps up with inflation) or the opposite – decreasing because your aim is to cover something specific like your mortgage.

If you're thinking about critical illness cover, it's important to speak to your financial adviser who can help you decide how much cover you'll need and how long the term should last.

What does critical illness cover?

Products vary depending on the provider. Certain illnesses are covered as standard by most insurers, including, cancer, heart attack, stroke, organ failure, multiple sclerosis, loss of arms or legs and Alzheimer's and Parkinson's disease.

Some providers may allow you to add additional illnesses to your policy, which you'll pay more for. Your children could also be covered as part of your policy so it's worth asking your adviser about these options if it's something you're keen to have in place.

What does critical illness not cover?

Although a diagnosis of a critical illness can mark the start of a claim in some policies, others may only begin to offer protection once your illness hits a certain level of severity. For example, if you are diagnosed with cancer, payments may only begin when permanent symptoms have been officially diagnosed. Additionally, not all types of cancer are necessarily covered by critical illness protection.

It's important to work with your financial adviser when reviewing a policy and all the small print before you commit to make sure you are sufficiently covered – and aware of areas not included.

Pre-existing conditions

Just like the life insurance application process, critical illness protection requires you to disclose any pre-existing conditions. If you don't then your policy could be invalid.

Your adviser can search the market for a suitable plan, but you'll probably have to pay more in premiums and there will likely be some extra exclusions. The price you pay will vary, based on things like age, occupation, state of health, lifestyle and how much coverage you need and for how long.

Do you need critical illness cover?

There are things to consider if you're worried about being diagnosed with a critical illness and the impact on your income and ability to keep up with bills (which would not be covered by state benefits when you're unable to work).

Your adviser will help you look at the following areas:

- Your employer's coverage – is there any paid leave for illness or disability and for how long?
- Do you have an existing life insurance policy and if so, does it have any illness coverage included?
- Could you consider income protection insurance as an alternative to critical illness?
- Do you have sufficient savings and investments you could use in place of critical illness cover?

If you want to proceed, it's important to work with your adviser to see how much protection you'll need. This means looking at your monthly outgoings and how much you and your family require to live comfortably. You might want to add in any potential costs from medical treatment you may need.

During these important decisions it's easy to lose track of the small details, which is why your adviser can help make the process easier for you and your family and give you some peace of mind.

We can examine your needs and existing policies and then find you the right cover that protects your finances – and your family – should anything happen.

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The pros and cons of downsizing

Downsizing could mean lower overheads as well as the extra cash from the sale of your home. But there are factors to consider before you make the decision.

From reducing household bills to boosting retirement savings, there are plenty of reasons why people choose to downsize and move to a smaller property.

It's important to consider interim costs, however, like whether you decide to rent in the area you're thinking of moving to, as the search could take some time. There are also fees to pay when selling your home including stamp duty, survey costs, legal expenses, agents' fees and moving costs. Your adviser will be able to help breakdown these costs for you.

Practical benefits of downsizing

Along with cutting your bills, helping you to pay off debt and putting some money towards your retirement savings goals, downsizing has other benefits too.

The stress of maintaining a larger home might become unmanageable as you grow older – leaving you out of pocket and physically drained too. Moving to a less expensive-to-run, smaller home could make your life simpler, leaving you with more time to do the things you enjoy during your retirement years.

Downsizing and tax

Your financial adviser can guide you through the tax implications for downsizing, like inheritance tax and whether your estate may still be able to benefit from the residence nil rate band (RNRB) even if you have downsized your property before your death. The rules around this are complex and often come with qualifying conditions, however, so it's essential to let your adviser examine your options and potential tax implications beforehand.

If you're considering downsizing, your adviser can expertly guide you through the process, explain your options and ensure you are fully informed throughout the process

Plan ahead when downsizing

It pays to plan ahead for the type of home you need when you're downsizing. Your mortgage adviser can help you do this and ensure you're buying somewhere that's the right size for you, as well as keeping you updated on what your eventual mortgage payment might be. They will also be able to explain the advantages and disadvantages of other options, like moving to a retirement village.

It's an emotional decision too, especially if the home you are selling is where your children grew up and holds happy memories. Talk about it as a family so that you are all clear about the reasons for the move. Thinking about your future and planning what your retirement income and outgoings could be – in your current home compared to a smaller one – is also something your adviser can help with.

Things to think about if you've made the decision to downsize:

- Clear out any clutter before you move and consider selling items (like furniture) you will no longer need.
- Look at your home and assess whether any repairs are needed before you sell. Your mortgage adviser can help you with this.
- Your adviser will also be able to factor in the costs for selling your home and moving to a new one, to help you budget.
- Think about how much space you will need in your new home, for hobbies, work and when guests come to stay.

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