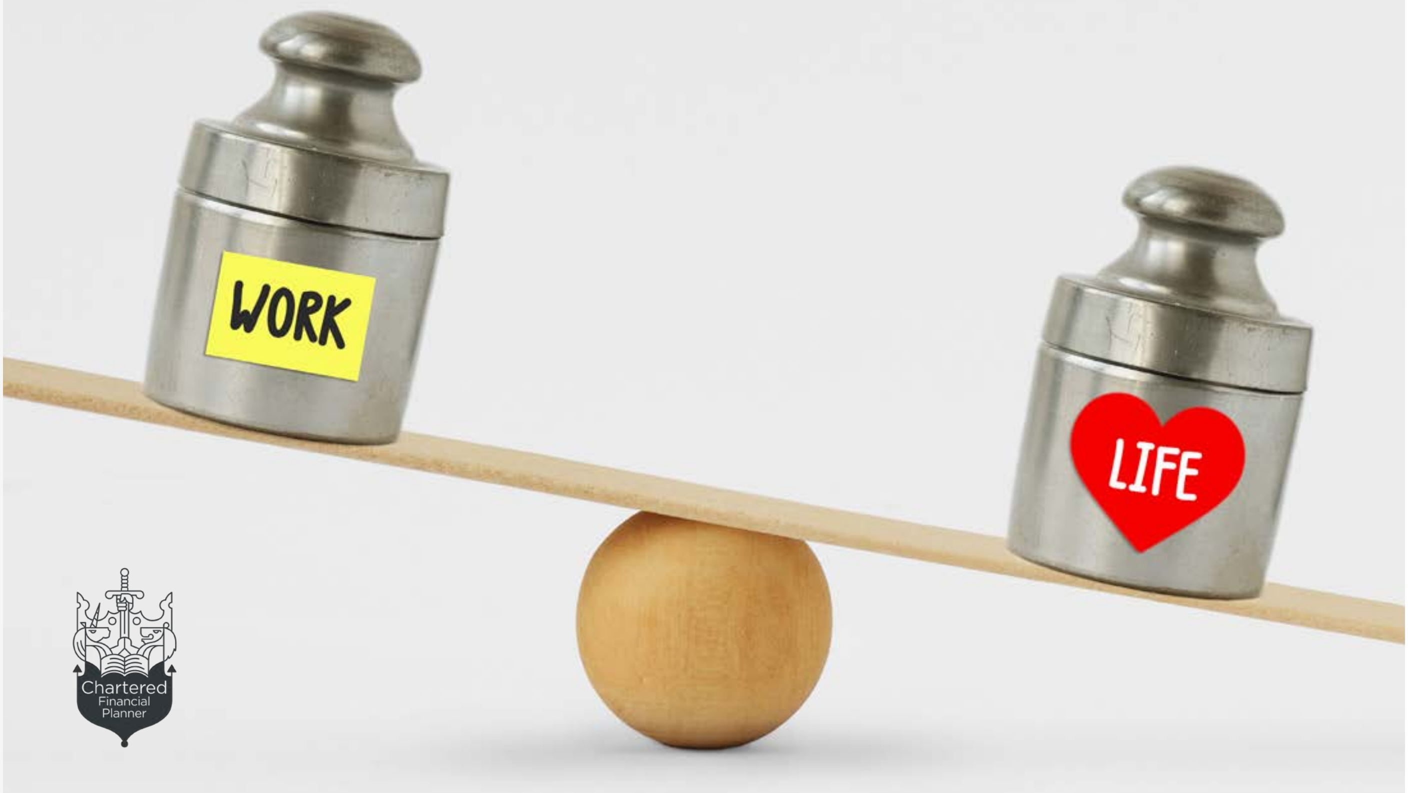
INSIGHT

ISSUE 17

A WEALTH OF ADVICE

FINANCIAL EDUCATION & WELLBEING

EMPOWERING EMPLOYERS & EMPLOYEES,SECURING FUTURES AND PROVIDING PEACE OF MIND



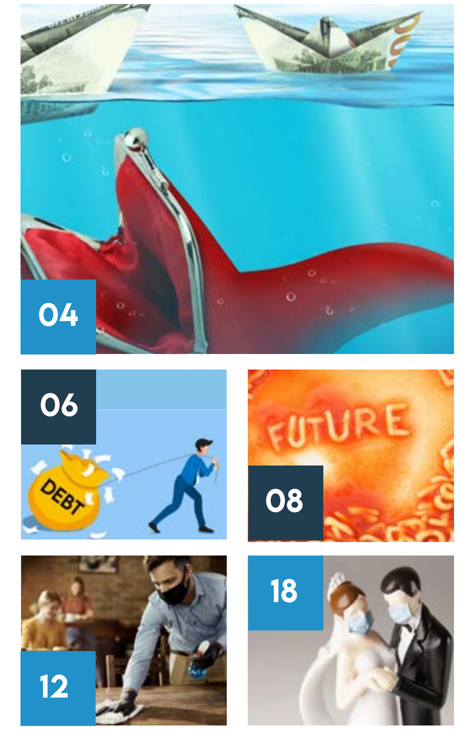
Chartered Financial Planner

COULD KEY TAX ALLOWANCES AND RELIEFS BE UNDER THREAT?

THE UNSEEN RISK TO YOUR BUSINESS

EXECUTIVE INCOME – IS IT WORTH IT?

ArmstrongWatson®
Accountants, Business & Financial Advisers



INSIDE THIS ISSUE

ArmstrongWatson®
Accountants, Business & Financial Advisers

ARMSTRONGWATSON

@AW_WEALTH

ARMSTRONG WATSON

WELCOME

We are now moving from the lockdown phase of this crisis to a careful reopening of the economy. We hope you, your families and your loved ones continue to remain safe and well. In our latest issue of Insight our articles contain a number of key areas for you to consider as an individual or business owner.

Health & wellbeing is at the forefront of all our minds right now. The initial findings from the Adult Financial Capability Survey back in 2018, commissioned by The Money Advice Service found that 63% of UK adults do not feel they can determine what happens in their lives when it comes to money, 61% do not focus on the long term when it comes to money and, 55% of working-age adults do not feel that they understand enough about pensions to make decisions about saving for retirement. In our article we discuss how these programmes can help promote financial wellbeing among employees.

We take a look at the Hospitality Sector and how they can make sure their business survive should the unexpected happen. There has been a lot of coverage in the media regarding the increased divorce rates during the COVID-19 pandemic and here we discuss making sure you think about your finances.

Finally, the unprecedented support from the government has to be repaid and we look at some allowances and tax reliefs that could come under the spotlight to repay the debt

The full list of the articles featured in this issue appears opposite, and we hope you enjoy this edition of our magazine. If you would prefer to receive future issues electronically, please visit www.armstrongwatson.co.uk

PAUL DICKSON
CHIEF EXECUTIVE AND MANAGING DIRECTOR
ARMSTRONG WATSON

COULD KEY TAX ALLOWANCES AND RELIEFS BE UNDER THREAT?

Chancellor Rishi Sunak delivered an economic update on the next stage of the government's plans to rebuild the economy. He announced an additional package of measures estimated to be worth up to £30bn, which means the latest total estimate is predicated to be around £330bn by the end of the April 2020-21 tax year, according to the Office for Budget Responsibility (OBR). With some businesses closed temporarily and many people furloughed, the UK Government has provided huge and welcome support to businesses and individuals to help, as far as they can, over this torrid period.

Whilst the Government can continue to borrow to support this investment it does, however, mean the Government is clearly going to need to raise revenue to pay for the coronavirus crisis at some point in the future. The OBR also highlighted that approximately £174 Billion could be raised relatively easily through a series of "Wealth Taxes".

We highlight below some current opportunities that could therefore come under consideration.

Pensions Tax Relief for Higher Earners

Abolishing higher-rate tax relief on pension contributions has long been discussed before a budget. Higher rate taxpayers receive tax relief at 40%. In the March budget The Chancellor relaxed the rules on how much higher earners can save into their pensions while receiving tax relief which could well be reversed as quickly as it came.

Inheritance Tax including – Trusts

According to data from HM Revenue & Customs published in October 2019, in the first 6 months of the last tax year IHT receipts reduced £316 Million. This was considered to be partly as a result of the introduction of the Residential Nil Rate band allowance introduced in April 2017. The subject of further IHT reform has been on the agenda now for a number of years. Could we now be expecting a further tightening up on this area rather than any beneficial changes?

Reducing Capital Gains Tax Allowances

The current allowance for each individual is £12,300 (Trusts allowance -£6,150). This means you can hold an investment (OEIC/Unit Trust/Investment Trust) or other investment assets (other than your own home) and the profit will only be taxed after the allowance is taken off. Reducing this allowance would be another way to raise additional tax revenue.

ISA allowances

Each individual currently has a £20,000 overall ISA allowance per tax year which increased gradually since they were first introduced back in 1999. Is now the time to see a different approach to this valuable savings allowance?

Whether these happen will clearly be up for debate and consideration when we get to the other side of Covid-19. However, for those people who are considering taking advice in any of the above areas we would suggest that now would be a good time to do so, whilst we definitely know the allowances and opportunities remain fully available.

At Armstrong Watson our quest is to help our clients achieve prosperity, a secure future and peace of mind. We can provide a full review of your financial affairs and discuss the opportunities available to you with our compliments in the first instance. You can also now do this remotely by video, telephone as well as face to face.

"THE CURRENT CGT ALLOWANCE FOR EACH INDIVIDUAL IS £12,300."

MATTHEW SLESSOR
CHARTERED FINANCIAL PLANNER - CARLISLE

SELF EMPLOYED –

HOW LONG COULD YOU LAST WITHOUT ANY INCOME?

The world of work has changed enormously over the past 20 years. Being self-employed, freelance or working on a contract basis has become the norm for all sorts of professions.

Although it has many benefits, working for yourself means that the responsibility for providing a financial safety net shifts from the employer to the individual. New research has highlighted the precarious nature of self-employed people's finances. This has been highlighted by the health crisis as many self-employed people have had to claim through the Self Employed Income Support Scheme as work completely dried up due to lockdown.

Financial support

A survey of the financial health of self-employed, part-time and contract workers reveals that if an accident or illness prevented them from working, more than one in ten wouldn't be able to last any time without using long-term savings, while 30% would run out of money in less than a month. Around 50% said they couldn't turn to friends or family for financial support, while one in ten said they would be forced to turn to credit cards or payday loans.

Figures from the Office for National Statistics (ONS) show that the number of self-employed workers in the UK increased from 3.3 million in 2001 to nearly 5 million in 2019. While a quarter (25%) of those surveyed said they would seek help from the state, benefits provide little or no support for this group.

Income protection

Some self-employed people wrongly believe they would not be eligible for income protection if they fell ill and couldn't work. However, Statutory Sick Pay isn't available to self-employed workers, and for those workers that are eligible, the maximum that can be claimed is just £95 a week versus the average outgoing of £262.83 a week for self-employed or contract workers.

More than half (55%) have no life insurance, private medical insurance, critical illness cover or income protection should they find themselves unable to work due to illness or injury.

More time off work

Nearly half of those surveyed (45%) worry that sickness will prevent them working. They also worry about consistency of earnings (37%), and over a third (35%) of those workers who took time off for illness or injury last year returned to work before they felt they had fully recovered. Half (50%) of these said they did so because they couldn't afford to take any more time off work.

People in full-time employment commonly receive sick pay and life insurance through their employer, but self-employed people need to provide it for themselves. Although many self-employed people and contractors worry about the consequences of an accident or illness preventing them from working, too few are taking steps to protect themselves from any loss of earnings if they are unable to work.

Do you have a financial safety net in place?

Many self-employed people consider income protection insurance and critical illness cover in case they get too sick or injured to work, or suffer from a serious illness. Life insurance is also common for people who have dependents, such as a partner or children. The Self Employed Income Support Scheme will end soon as lockdown eases and we return to somewhat normal times. When it does then the same issues are still there before this crisis happened. If you have any concerns or want to review your existing protection requirements, please contact us.

At Armstrong Watson we are Chartered independent financial advisers and can discuss and advise on all aspects of protection requirements for self employed or contract workers based on your individual circumstances. We can provide a full review of your financial affairs, including your protection requirements, with our compliments in the first instance. We can also now do this remotely by video as well as face to face with the necessary social distancing precautions in place.

BRIAN McNICOL

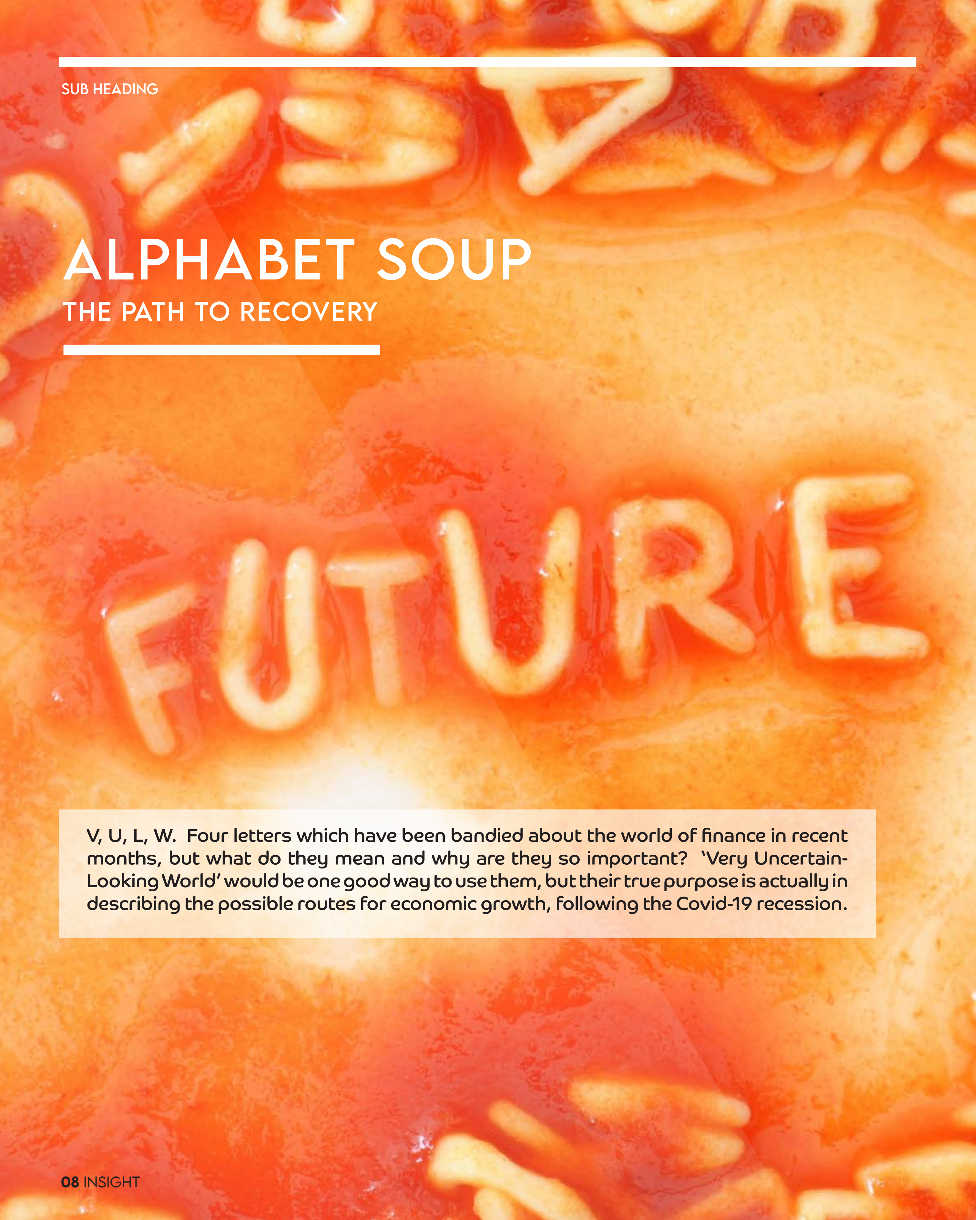
FINANCIAL PLANNING CONSULTANT - GLASGOW

All statistics sourced here:

Research among 1,033 UK self-employed, part-time, contract and gig economy workers between 1 October and 7 October 2019, conducted by Opinium on behalf of LV=.

Average monthly outgoings of £1,182.76 recorded from 1,033 UK self-employed, part-time, contract and gig economy workers.

> "30% OF SELF-EMPLOYED SAID THEY WOULD RUN OUT OF MONEY IN LESS THAN A MONTH."



ALPHABET SOUP

THE PATH TO RECOVERY

V, U, L, W. Four letters which have been bandied about the world of finance in recent months, but what do they mean and why are they so important? 'Very Uncertain-Looking World' would be one good way to use them, but their true purpose is actually in describing the possible routes for economic growth, following the Covid-19 recession.

Reaching for the Glossary

A 'V' shaped recovery would be a period of sharp growth immediately following the contraction. This would be the dream of policymakers. 'U' would be a prolonged period of low/no growth as business remains supressed by lockdown measures and/or consumers prove unwilling to spend, yet followed by an eventual recovery. 'L' would be the worst possibility of all, with growth failing to recover and an economy which faces depression. Finally we have 'W', this would be an initial recovery which then experiences a major setback, before an eventual sustained recovery. Such a scenario could occur should a second coronavirus wave lead to widespread re-impositions of lockdowns.

Deep Pockets, Well Used

The financial response to this economic crisis has been huge. Interest rate cuts and quantitative easing from central banks combined with corporate and personal support packages from national governments have together dwarfed stimulus programmes from the Global Financial Crisis, which, in turn, dwarfed any previous peacetime recovery plans.

Recovery - Eventually

This level of support is vitally important. While significant challenges remain - such as a likely surge in unemployment when furlough schemes are withdrawn - thanks to the intervention of the world's financial institutions, eventual economic recovery does seem highly likely. Consequently, it is our view that the probability of depression is low.

Capacity and Confidence

The recession of 2020 has been characterised by the inability of individuals to spend, as buisnesses have been closed. As economies reopen, the possibility to spend will return, but what appetite is there to do so? National statistics show the average household has built up significant savings over this period, but whether this will be spent depends on consumer confidence levels.

Time for Spending

Create an environment where individuals feel safe leaving their homes and workers feel secure in their jobs then the conditions to spend will be there. If governments get that right, the 'V' shaped recovery could be ours. V is for Victory, after all.

Keeping You Informed

To hear more of our thoughts tune in to Armstrong Watson's regular investment podcast where we discuss the latest market, financial and economic developments from around the world.

RICHARD COLE CFA
FUND MANAGER -
FUTURE MONEY ASSET MANAGERS

Please note that the contents are based on the author's opinion and are not intended as investment advice.

> "THE RECESSION OF 2020 HAS BEEN CHARACTERISED BY THE INABILITY OF INDIVIDUALS TO SPEND, AS BUISNESSES HAVE BEEN CLOSED."

FINANCIAL EDUCATION & WELLBEING

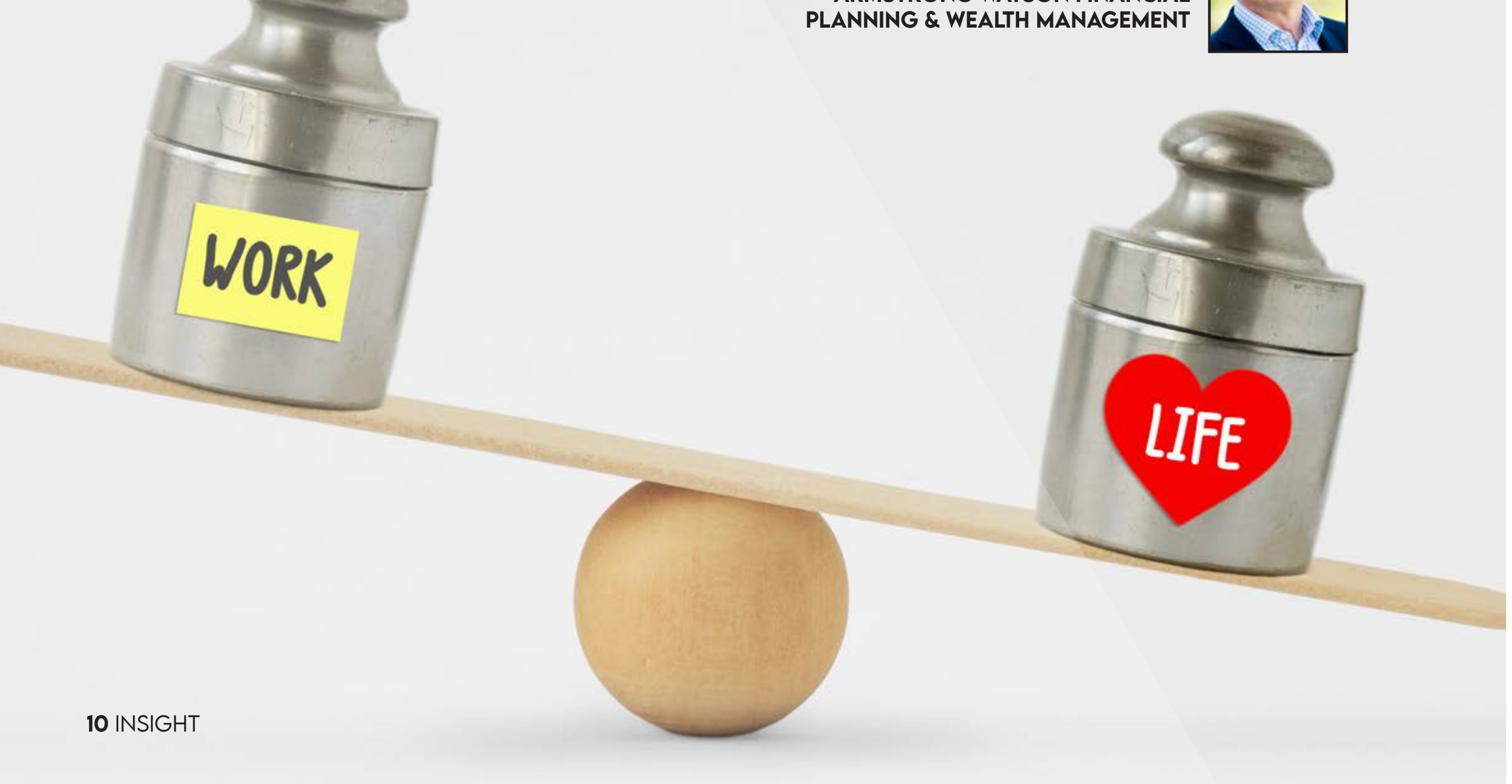
EMPOWERING EMPLOYERS & EMPLOYEES, SECURING FUTURES AND PROVIDING PEACE OF MIND

The employment market place is a competitive one and the employees of today have greater expectations on their employers to provide added value over and above the standard pay and benefit packages. In this respect Financial Education & Wellbeing services can provide a key missing ingredient to many workplaces, especially when considering the many further challenges, both employers and employees, have been faced with over these last few months during the global Covid-19 pandemic.

DOMINIC GAUNT

BUSINESS DEVELOPMENT MANAGER

ARMSTRONG WATSON FINANCIAL PLANNING & WEALTH MANAGEMENT



"Financial capability is the ability to manage money well, both day-to-day and through significant life events." Critically, financial capability is a key driver of consumers' financial wellbeing – that is the ability to meet all their current commitments, without undue stress, and the resilience to cope with future income or expenditure shocks.

These were the initial findings from the Adult Financial Capability Survey back in 2018, commissioned by The Money Advice Service:

- 63% of UK adults do not feel they can determine what happens in their lives when it comes to money
- 61% do not focus on the long term when it comes to money
- 55% of working-age adults do not feel that they understand enough about pensions to make decisions about saving for retirement
- 47% do not feel confident making decisions about financial products and services

In the extract from the "Working People" section of the study it highlighted, amongst other issues, a suggestion the key priority for people of working-age life is to focus on: building resilience; saving for the future; planning ahead; and managing life events. In particular, the evidence showed people tend not to consider and plan for negative life events such as death or serious illness.

Over recent years, certainly before the recent Covid-19 crisis, we have seen a definite and deliberate shift in responsibility for finances and financial matters away from the state towards individuals. As a result, where people struggle with such matters, poor financial capability leads to increased stress, and the connection between physical, mental and financial wellbeing is now increasingly being understood.

The Money Advice Service, provided by the Money & Pension Service, an arm's-length body sponsored by the Department for Work and Pensions, website highlights that employees' financial challenges can affect their performance at work and could therefore be costing many firms lost time and money. Statistics have been gathered from a range of sources with one saying 59% of employees with 'current' financial worries state money concerns prevent them from performing their best at work (Willis Towers Watson 2016) and another that 89% of employers agreed that financial concerns have an impact on employees' workplace performance (FCA 2017).

As an employer you want to attract and retain the best people for your business. Both the business and the employee tend to perform at their best when their values and behaviours are aligned, with an employee feeling supported by the firm they work for. As a responsible and progressive employer you might have already put in a range of benefits you believe to be attractive to your workforce and of course firms now have to comply with the law and put in place a workplace pension scheme. With the shift, noted earlier, in the responsibility for finances moving away from the state this is leading to employees paying closer attention to the full range of benefits they receive from their employer. The more progressive and responsible employers also regularly engage with their staff through internal staff surveys to help understand their employees more. This helps shape the future of the business and further build engagement and loyalty from staff.

In these surveys we have found that increasing numbers of employees now want more information about many different financial matters, not always directly connected to their benefit packages. Employees may want to know about a range of other areas too from buying their first home to when they can retire and how much is enough to retire on?

However, workplace pension schemes for example, can also often create additional questions and queries for firms thereby placing an additional challenge and burden on already busy HR departments, who of course also need to ensure they are not seen to be providing financial advice to their employees. This is a difficult balancing act for businesses to achieve to show support for their people without straying in to the world of regulated financial advice.

Again The Money Advice Service website comments on this with 46% of employees saying they would appreciate their employer providing access to financial awareness programmes (SMF, 2016), and 58% of employees valuing, if available, employer facilitated support to help their financial wellbeing (Neyber, 2017).

As a result of the required need in this space some financial advisory firms have started to develop their services to help businesses on their financial wellbeing journeys by creating financial wellbeing programmes around key life stages, specific to employer and employee needs. These can be tailored to the needs of the employer and can take the form of seminars, workshops and webinars covering a range of topics, bespoke communications and, where required, individual financial planning advice.

Where employers engage with such a service this then helps to differentiate a business as one genuinely aiming to place their people first. As firms, across all sectors of the economy, move through to the next stage of the Covid-19 global pandemic, where millions of UK employees have of course been affected financially in lots of ways not least with the many millions of people in the UK who have been furloughed over the last few months, personal financial matters are likely to be even more at the forefront of many employees minds.

SECTOR FOCUS

HOSPITALITY, LEISURE & TOURISM

THE UNSEEN RISK TO YOUR BUSINESS

For the majority of business owners in the UK, the Covid-19 pandemic and the enforced lockdown of the last few months will have provided challenges we never could have imagined having to deal with. The health crisis has impacted every sector within the UK, but one hit particularly hard has been the Hospitality, Leisure and Tourism sector.

> "THERE ARE MANY THINGS WE CAN PLAN FOR AND OCCASIONALLY THINGS WE CAN'T, BUT ONE THING WE SHOULD ALWAYS DO IS HAVE PLANS IN PLACE TO LIMIT THE NEGATIVE IMPACT THAT EVEN THE MOST UNFORESEEN EVENTS CAN CAUSE."

After the storms of Ciara and Dennis back in February 2020, many of us were looking forward to the warmer weather of spring and the opportunity to get back outside and enjoy the best of what the UK Tourism sector offers. Sadly though our plans have of course been delayed, and the lockdown has resulted in months of cancelled booking for hotels, tourist attractions, holiday cottages, caravan parks, campsites and all parts of the sector. Even now as the initial restrictions start to ease, social distancing will undoubtedly affect the numbers of visitors, which will in turn impact on profitability or even their viability.

One thing the crisis has taught many of us is not to take our health for granted, both physical and mental. Another aspect to this is the importance of planning. There are many things we can plan for and occasionally things we can't, but one thing we should always do is have plans in place to limit the negative impact that even the most unforeseen events can cause.

A number of businesses within the Hospitality, Leisure and Tourism sector are family run, and may have been passed down the generations, and as such become more than simply a business to their owners, they're often a way of life. Most proprietors generally have an idea about what they'd like to happen to their business once they've retired or if they died prematurely, but frequently there isn't a formal succession plan in place to ensure that this would happen. This has the potential to cause serious issues for the future of the business.

What Are The Implications?

If a co-owner dies or falls seriously ill, how do they ensure that their shares are distributed in accordance with their wishes? If there is nothing in writing stipulating exactly what is to occur this presents a challenge for those left running the business, or for their remaining family. Should this happen at a point during this crisis then it could have an even more devastating impact.

For a limited company, this could be detailed in the Articles of Association and for Partnerships and Limited Liability Partnerships, in a Partnership agreement. Many business owners haven't reviewed these since they were first created, so it's important to do so to ensure that what you want to happen on death, or serious ill health, can actually be put in place.

If no formal arrangement is in place then the shares will be left to the surviving spouse or legal next of kin, but if the intention is for the remaining business owners to take over the shares, a formal agreement needs to be put in place. Arrangements should be formalised as to how the shares are to be paid for and how the family is remunerated to ensure a smoother transition for the business.

How Can This Be Resolved?

A simple solution is for each owner to take out an insurance policy for the (fair) value of the shares, the proceeds of which could be used to purchase them from the deceased (or the insured in the event of serious illness). Each policy would require a specific trust form and accompanying cross option agreement. These would ensure that the sale of the shares is legally accommodated.

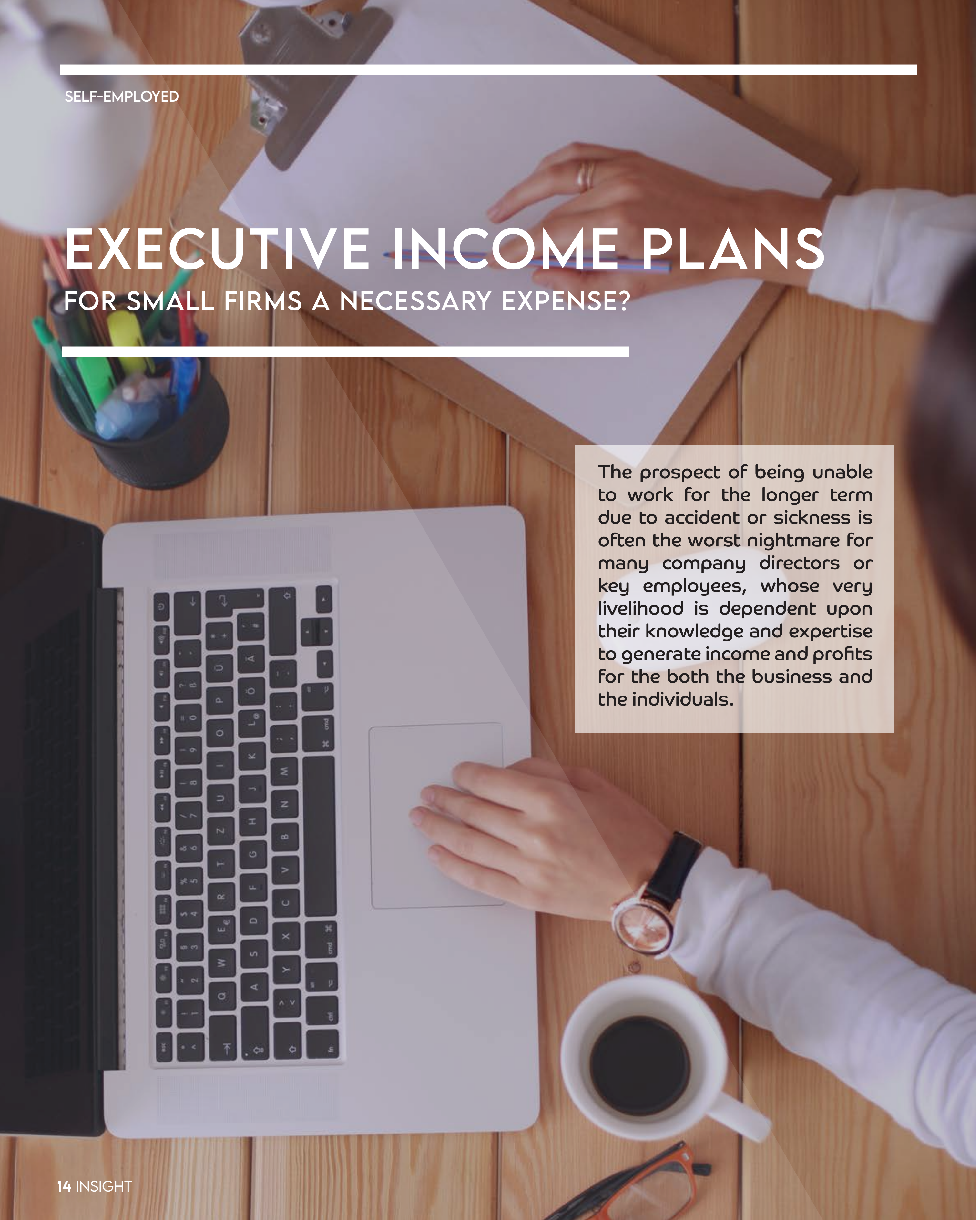
A claim on a policy would result in the sum assured being paid out to the trustees, who now have the funds available to purchase the shares, putting the money in the hands of the family and the shares in the hands of the remaining business owners.

This is a simple and effective way of covering the liability should death, or serious illness, occur.

At Armstrong Watson we are Chartered independent financial advisers and can discuss and advice on all aspects of a clients protection requirements based on their individual circumstances. As all our expertise is "under one roof" we also work alongside our Tax advisers to ensure the right support is in place for the businesses and business owners we support.

MARCUS DODDS

CHARTERED FINANCIAL PLANNING CONSULTANT - CARLISLE



EXECUTIVE INCOME PLANS

FOR SMALL FIRMS A NECESSARY EXPENSE?

The prospect of being unable to work for the longer term due to accident or sickness is often the worst nightmare for many company directors or key employees, whose very livelihood is dependent upon their knowledge and expertise to generate income and profits for the both the business and the individuals.

Unfortunately, the Association of British Insurers (ABI) estimates that 1 million workers a year find themselves in this situation. With Statutory Sick Pay for an employee (or director) being £95.85 per week for 28 weeks, the question must be asked, how would you maintain your current lifestyle and how would you continue to plan for the future?

The average family household spends £572.60 per week (www.ons.gov.uk, January 2019). Whilst you may have some savings, these may not last long thereby creating undue financial strains and pressures which can often compound an already difficult situation. Based on a savings pot of £10,000, this would be completely exhausted within 4/5 months.

By seeking advice and arranging suitable, tailored protection this can ensure that some form of normality, at least financially, can continue should you be unable to work for the longer term due to accident or sickness.

For larger firms, you may already get this benefit in the form of a 'group income protection' arrangement. The business would benefit on having reduced costs for this cover due to the large number of people insured and the premium would be classed as a business expense.

However for smaller firms, this may not prove to be the most cost effective means of providing cover. It may therefore be prudent to consider alternative options, one of which is 'executive income protection'. This type of benefit is primarily for key employees or directors and like with the group arrangement, the premiums would be classed as a business expense. In addition to this, there may be other tax advantages in comparison to owning the policy personally.

The following example illustrates how the cost savings may apply in comparison to a personal arrangement. Please note you should always seek professional advice whilst reviewing your protection arrangements due to many factors including the tax treatment of benefits once in payment.

Based on a monthly premium of £50 for a higher rate tax payer funding the premiums from his/her net pay (once National Insurance at 2% and income tax at 40% are deducted) this equates to a total gross monthly outlay of £79.46. A similar plan funded by the employer via an executive income protection arrangement (after Corporation Tax relief) would cost £40.50 per month, thus saving £38.96 or 49%.

Executive income protection arrangements allow you to cover up to 80% of your earnings, however in payment the benefit would be taxable at your marginal rate of income tax at the time of claim. You can also choose a level of cover up to include P11D benefits and, potentially, any dividends paid where this is directly linked to performance within the business. Comparably, personal income protection will typically only cover 55-65% of your earnings, but this benefit would be paid tax free upon a successful claim, meaning that the difference in benefit net of tax may be negligible.

We can provide independent financial advice to both individuals and businesses. For company directors and key employees, how to structure your benefits can be an important consideration to discuss. We can provide advice remotely by video as well as face to face with the necessary social distancing precautions in place.

SIMON MAYOH

FINANCIAL PLANNING CONSULTANT - LEEDS

"BY SEEKING ADVICE AND ARRANGING SUITABLE, TAILORED PROTECTION CAN ENSURE THAT SOME FORM OF NORMALITY, AT LEAST FINANCIALLY, CAN CONTINUE SHOULD YOU BE UNABLE TO WORK FOR THE LONGER TERM DUE TO ACCIDENT OR SICKNESS."

CLIENT FOCUS

BWD SEARCH & SELECTION

BWD are a proudly independent firm that provides recruitment solutions to the Financial Services sector.

The company was established in 2006 by our three directors; Alistair Brownlee, James Walker and Gareth Davies, with the initials of their surnames establishing the business name. Since the very beginning of BWD's formation, a set of values and principles has been fixed in place, and these are still at the forefront of the business today.

From humble beginnings we now have offices in London and Leeds and work throughout the UK and Europe offering permanent and contract recruitment across 5 markets - Regulatory, Risk & Compliance, Wealth Management, Pensions & Benefits, Sales & Distribution and Actuarial, with further growth on the horizon.

Our mission is to stand out. But to stand out for the right reasons; offering a truly personal and tailored service to our clients and candidates. They like the fact we have commercial muscle of a larger PLC but also the narrow and personal touch of a niche boutique.

As a value led business our key principal is 'Do the Right Thing' and that means we're responsible and ethical. We treat people as we would expect to be treated and this value is both an internal and external guide.

"THIS YEAR IS OUR THIRD-YEAR ANNIVERSARY WITH AW AND THE WAY OUR BUSINESS HAS CHANGED IS TRULY TRANSFORMATIONAL."

How have you adapted throughout COVID 19?

Like all businesses Covid-19 has brought numerous challenges that we've needed to overcome. Luckily the business invested in digital and cloud technology in 2019 as part of our investment programme to support agile working. That meant we could all work remotely, but it was still a massive effort to mobilise everybody in the business in such a short space of time.

Whilst the pandemic presents huge obstacles it also has given us the opportunity to reflect on our current strategy. Our renewed focus is to improve the agility of the business not just from a flexible working perspective but also how we improve our processes and productivity too. Ultimately this will result in improved client and candidate experience and higher levels of employee satisfaction.

We anticipate that critical hires will continue and that companies will adapt their current recruitment and onboarding processes using digital methods. We are already seeing this change with most of our banking and financial services clients - they too have embraced technology as virtual client meetings are happening daily! The period hasn't been without problems, which is why I'm immensely proud of how the team has reacted.

Why did we choose Armstrong Watson?

As we started to accelerate our growth plans it became clear that we needed the support of an accountancy practice that could advise in multiple areas. We needed to become more efficient; moving away from a largely paper based accounting system to digital was high on the priority. We also needed sound tax and business advice – growing a business can be challenging so it's important you get the right advice in a language you understand!

Above all we wanted to partner with somebody who understood us and would provide those 'added value' services. Since day one Matt Osbourne has been working closely with all the key stakeholders and oversees the service AW provide – he also thinks proactively about what else he could offer the business.

This year is our third-year anniversary with AW and the way our business has changed is truly transformational. We are completely digital, have access to intuitive cashflow planning, effective tax planning has reduced our liability and in the words of our NED "some of the best management account reporting against budgets I have ever seen." All of this helps us focus on growth and planning the next stages of our development.

MATT OSBOURNE
AUDIT & ASSURANCE PARTNER - LEEDS

Matt Osbourne says:

BWD are the perfect accounting client for us - a growing, ambitious, profitable business with an excellent senior team, but with no in-house accounting function. We have been working with BWD for a few years, during which time we have improved the timing and quality of the monthly management accounts, introduced new metrics and KPIs, implemented a digitally integrated cash flow management tool, saved the directors significant amounts of tax through some simple restructuring and worked closely with the business to help them navigate the Covid-19 period. These measures have allowed the directors to build and protect value in the business and work towards their longer term plans.

We have also been integral to helping them with the job retention scheme. We talked them through the strategy and approach, acting as a sounding board, and also helped them with their CBILS application - which was successful!

DIVORCEES RISK LOSING OUT ON PENSIONS

DIVIDING THIS ASSET IS OF VITAL IMPORTANCE TO AVOID PENSION POVERTY

There has been a lot of coverage in the media regarding the increased divorce rates during the COVID-19 pandemic. The first reports coming from Wuhan, China stating that couples spending so much time together during lockdown had an adverse effect on the their marriages. It was reported that this would likely occur across the rest of the world, and expect the worst.

> SINCE 2015, THE USE OF PENSION ATTACHMENT ORDERS HAS INCREASED BY 61%, WHILE PENSION SHARING ORDERS HAVE RISEN BY 41%.

Divorce is an emotional and stressful period for those who have to go through it. However, it's important that people think of these valuable assets when considering how they split their money.

This is particularly problematic given the average age of divorcees, and it is more likely that a woman will not have any sizeable pension of their own. Previously married couples are at risk of ignoring one of the most valuable assets in divorce settlements, the latest figures from the Family Law Courts shows.

Dissolution of marriage

The figures show there were 118,408 petitions filed for dissolution of marriage in 2018, but only 14% contained some sort of pension settlement order. This is despite a recent trend in people getting divorced later in life. According to the Office for National Statistics, the median age of divorce for men and women has increased by ten years between 1987 and 2017. In 2017, the median age of divorce for women was 43.5 compared to 33.7 in 1987. For men in 1987, the median age stood at 36.4, whereas in 2017 it was 46.0.

As people divorce later, this group have less time to build a retirement income if they did not have a pension of their own, meaning dividing this asset is of vital importance to avoid pension poverty.

This is a particular issue for women, as 45% aged 65 or over have no private pension wealth, separate figures from the Office for National Statistics show. When couples divorce, they have different options for how they divide assets between them, including pensions.

The primary methods used for pensions are:

- Offsetting, where the pension assets can be offset against other assets of the divorcing parties
- Pension sharing orders, where pension assets are divided at the time of divorce and there is a clean financial break
- Pensions attachments orders, also known as 'pension earmarking', where the pension provider of one party pays an agreed amount direct to the former spouse when the pension rights come into payment. This does not represent a clean financial break between the couple and risks the loss of future income for the former spouse if the person with the pension rights dies before retiring or the former spouse remarries

Pension attachment orders

The Family Law Court says since 2015, the use of pension attachment orders has increased by 61%, while pension sharing orders have risen by 41%. However, while both types of pension orders have increased in popularity, they still represent a relatively small percentage of total divorce cases.

In light of pension freedoms, people with existing pension attachment orders should consider reviewing their agreement and take financial and legal advice as the change in rules brought about by pension freedoms may mean that their attachment order will not provide what was intended.

A fair settlement for all parties involved

Divorcees need to make sure they are receiving professional legal and financial advice before, during and after any divorce case to ensure any settlement is fair for all parties involved. It should not be acceptable for pensions to be ignored, since whilst they might not have an immediate impact, they will do so later in someone's life.

HELEN TANSLEY

FINANCIAL PLANNING CONSULTANT - LEEDS

Our Financial Planning Team is available to advise you in these challenging times on all financial matters

We can provide advice remotely via video, telephone or, of course, face to face where appropriate

Call 0808 144 5575 to be put through to a Financial Planning Consultant

To help our clients achieve prosperity, a secure future and peace of mind

ArmstrongWatson®
Financial Planning & Wealth Management

www.armstrongwatson.co.uk

Armstrong Watson Financial Planning Limited is authorised and regulated by the Financial Conduct Authority. Firm reference number 542122. Registered as a limited company in England and Wales, number 7208672. The registered office is 15 Victoria Place, Carlisle, CA1 1EW. Armstrong Watson Financial Planning & Wealth Management is a trading style of Armstrong Watson Financial Planning Limited.
The value of investments and the income from them can fall as well as rise. You may get back less than you originally invested. Past performance is not a reliable indicator of future results.