UNISON**MONEY**TALK

The personal finance newsletter for members of UNISON published by Lighthouse Financial Advice

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Time to give your personal finances a mid-life MOT?

As you get older your priorities change, and the way your personal finances are organised needs to change too. It's time to give your financial planning an MOT.

Do you know how many pensions you have? And how much they are worth? Maybe you would like to help your children buy their first home but are not sure of the best way of doing this. And, with retirement just over the horizon, you may be worried that you won't have enough income when you retire.

Giving your personal finances a thorough overhaul can help you resolve these and other concerns and the best way of doing this is to consult a professional financial adviser.

How we helped Mrs Johnson get back on track

Mrs Johnson*, a UNISON member in her early 50s, is divorced with two children. Last May she decided to book an appointment with one of our advisers. "Although I enjoy my job and want to continue working for as long as I can, I wanted to know that when I do eventually retire I will be OK financially. I wasn't sure when I would get my state pension and had pensions from previous employers I had neglected, in addition to my local government pension. Plus I had a few random savings accounts that I had opened years ago and which didn't seem to have increased in value."

Jane, her financial adviser, asked Mrs Johnson about her income and expenditure now, whether she was likely to inherit any money, plans for her retirement and other things, including whether she would like to help her children financially.

"Mrs Johnson is fortunate in that she will have paid off her mortgage in five years' time. However, the maintenance payments she receives from her ex-husband will stop next year when her daughter leaves university. With her daughter likely to come back home, her outgoings will increase. I started by tracing Mrs Johnson's previous pensions. It turned out that she had three small pension pots from when she worked in the private sector. It made sense to put them into a single fund, with the money invested for long-term growth in line with Mrs Johnson's risk profile.

Using savings to boost income

"Mrs Johnson's savings accounts were cash ISAs earning next-to-no interest, despite it being paid tax-free. We decided to keep three months' worth of expenditure in the account paying the most interest as emergency money. We transferred the balance to a fund that generates regular tax-free income, in order to replace the maintenance payments. She can stop taking the income if she no longer needs it, for instance when she finished paying off her mortgage, or if she inherits money from her parents."

"I also asked Mrs Johnson whether she would like me to review her parents' finances and explain how they may be able to pay for long-term care (if it is needed) without having to sell their home or deplete their modest savings. She hadn't realised that this might be possible. She mentioned this to her brother and parents who agreed that it would be a good idea at least to understand the options."

Mrs Johnson is happy that her finances are now arranged in a way that suits her. "Jane was fantastic. She listened and understood my concerns. I now know I can manage when the maintenance payments stop, even with my daughter living at home. And looking further ahead, my pensions should give me enough to live on without having to worry. Anything I end up getting from my parents will be a bonus."

Also in this issue

Book a mid-life financial MOT

with one of our professional financial advisers.

Call 08000 85 85 90 or email appointments@lighthousefa.co.uk

or contact your usual Lighthouse Financial Adviser.

The value of your investments, and the income you receive from them, can go down as well as up, so you could get back less than you put in. A pension is a long-term investment and inflation will reduce how much your income is worth over the years. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

* We have changed real names and certain circumstances to preserve anonymity.

Preparing financially for your first baby

Your priorities change when your first child arrives. And so do your finances. Everyone's circumstances are different and taking professional financial advice can help you avoid making expensive mistakes, Here are some tips.

It's an exciting time. Maybe you've turned the spare room into a nursery, bought a cot, a buggy and various other bits and bobs. You've probably received a few hand-me-downs from relatives and friends whose children are now older. Nevertheless, the odds are that you have already spent a small fortune and reality is hitting home.

That's where we can help. As professional financial advisers, our job is to help you reorganise your finances in a way that will suit your life as new parents.

Claim what you are entitled to

If you are employed you are likely to be eligible for maternity pay. How much this is will depend on your employer. Find out how much you will receive and budget accordingly. Your partner may be eligible for paternity leave. If you don't qualify for maternity pay, you could qualify for maternity allowance. You could also be entitled to tax credits or child benefits and should register for the NHS Maternity Exemption Certificate for free prescriptions and dental care.

Once your baby is born you will be eligible for child benefit unless you or your partner earn more than £60,000.

Optimise your regular expenditure

Look through your bank, debit and credit card statements and see where you could make savings. Do you have regular subscriptions that you rarely use? Could you save money by switching utility suppliers? Credit cards are usually a very expensive way of borrowing money so consider transferring your outstanding balance to a 0% interest account and try and pay it off in the months before the baby arrives.

Make sure you have an emergency fund

As a rule of thumb, you should have enough money in a savings account you can access easily to keep your family going for three months. This is even more important when you have a baby. Your income is likely to fall when you are on maternity leave and perhaps you don't plan on returning to work full-time after that.

Protect your family's income

Supposing you or your partner had an accident or a serious illness and you or they were off work long-term. You may be eligible for sick pay. However, you are unlikely to receive your full pay. After 28 weeks, if you are still off work you could get nothing at all. It therefore makes sense to consider taking out insurance that replaces your and your partner's income if you were to have an accident or fall seriously ill – or, even worse, die.

Save for your child's future

One thing is certain – the next 18 or so years are going to be very expensive! You will want to give your child the best possible start in life and the sooner you start saving the more money you are likely to have stashed away by the time you need it. Maybe you want to help fund their education or the deposit on their first home. Whatever your goals, you need to choose a suitable tax-optimised savings account. This can be in your name, or you can open it in your child's name. Your choice will depend on the type of account and how you envisage the money being spent. It is also likely to be influenced by the various incentives, including bonuses, that the government offers on a number of different types of savings accounts.

Making the right choices about your finances and working out how to optimise them now and for the future might seem like a daunting task – and it is. There are a huge number of plans of all types available and you need to be an expert to work out which are suitable for you. That's our job – as professional financial advisers we are here to help you secure your family's financial future now and hopefully for many years ahead.

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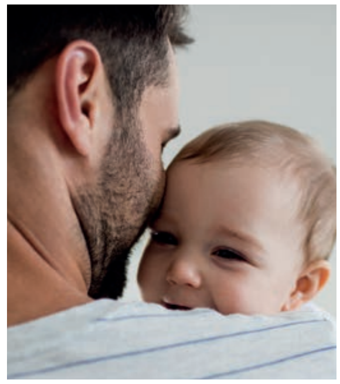

Update your Will

Hopefully it won't be needed for a very long time, but you and your partner should nevertheless write or update your Wills so that your wishes are carried out should you die prematurely. Among other things, your Will should specify who will be your child's guardians, any financial arrangements you have made for them, and who you want to receive your assets (eg savings, home and other belongings).

UNISON Free Wills Service

One free standard Will (including a standard mirror Will for partners) is available to UNISON members through UNISON's online wills service. For more complex circumstances a discounted fee is payable. Call UNISON Direct on 0800 0 857 857.

Book a financial review

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call 08000 85 85 90 or email appointments@ lighthousefa.co.uk

or contact your usual Lighthouse Financial Adviser.

How we helped Louise and Greg clear their debts and more...

When Louise and Greg realised that they had just £1,400 a month on which to live, despite having a net income of £2,500 a month, they decided that they needed help quickly to stop their debts from spiralling further. We helped them achieve this, plus find the £20,000 their daughter needed for the deposit on her first flat.

Louise Wright and her husband Greg* have had a difficult time of it over the last few years. Louise, who is 60, is still working in admin for a large utility company, but Greg, who is 66, stopped working a few years ago when he became seriously ill, to the extent that he had to take early retirement.

They have a reasonable amount of income: Louise takes home £1,900 a month net and Greg receives £600 a month from his pension, which he was able to take early due to his illness.

High mortgage and interest payments

However, in reality they struggle to make ends meet each month. They live in a small house in Bedford* and have just £29,000 left to repay on their mortgage, but the monthly payments are £650.

In addition, they have run up £19,000 of unsecured debts. As a result, on top of their mortgage repayments, they have £450 interest to pay each month on these other debts.

These total monthly outgoings of £1,100 a month make a huge dent in their joint monthly income of £2,500, leaving them with just £1,400 a month on which to live.

Daughter unable to save a deposit

On top of this, Jane*, their daughter, wants to buy her first flat but what she earns is barely covering her living costs, so she hasn't been able to save anything towards a deposit. Louise and Greg would dearly like to help her get on the property ladder.

Unsustainable financial situation

They realised that their financial situation was unsustainable as it was but did not know what to do. Greg did some research and thought that they might be eligible for equity release, even though they were still relatively young. Louise remembered that one of her work colleagues had just remortgaged and had spoken very highly of the Lighthouse Financial Advice independent mortgage adviser they had used.

Debts cleared

When Louise and Greg met Paul, our adviser, and explained their situation, they could see at once that he understood their predicament. He recommended that they take out a lifetime mortgage to release £70,000 equity from their home, currently worth £250,000, and use it to pay off their debts and their mortgage, and give Jane the £20,000 she needs for the deposit on her flat.

Paul explained that the interest payable on the equity they had released would be added to the loan and that the total would be repayable either when they moved into permanent residential care or when they passed away and that this would mean that there would be less to pass on to Jane in due course.

They were overjoyed – not only would they be mortgage-free and debt-free, but they would also have £1,100 more freed up each month to enjoy life a bit more and give Greg a few extra comforts.

A huge weight was removed from their shoulders and they were so proud to be able to help Jane as well as sorting out their own predicament.

* We have changed their real names and place of residence to preserve anonymity. All financial details reflect their circumstances and the equity release plan we arranged for them.

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Equity release may involve a lifetime mortgage or a home reversion plan which is secured against your property. To understand the features and risks, ask for a personalised illustration. Equity release may impact the size of your estate and it could affect your entitlement to current and future means-tested benefits.

Turned 60 and worried about your pension?

The good news is that you still have time to sort things out. Here is a check list of what you need to do to ensure you get as much income in retirement as you can.

Check your retirement age
When you first started work you probably expected to retire at 60. Now you are unlikely to get your state pension until you turn 66. You can use the government's online facility at www.gov.uk/state-pension-age to find when you will be entitled to receive the state pension.

Will you get the full state pension?
Have you had a career break, for instance to raise a family or maybe you were out of work for a while, or worked abroad? Were you one of the many people who opted out of SERPs in the 1980s and 1990s? If so, you should check whether or not you will get the full state pension. The pension is based on your National Insurance contributions and in some cases it is possible to top these up. Go to the check your state pension website at www.gov.uk/check-state-pension to find out how much you will get.

Do you have pensions from previous employers?
Have you worked for more than one employer? If you have, then you are likely to be a member of more than one pension scheme. Dig out the paperwork and contact the pension scheme to find out how much you are likely to be entitled to and when. It is worthwhile also finding out what the transfer value is.

Do all your pensions give you a guaranteed amount?
Public sector pensions generally give you a guaranteed income for the rest of your life when you retire. These are known as defined benefits pensions. Private sector pensions generally provide you with a pot of money and it is up to you how you use it to generate the income you need for the rest of your life. These are known as defined contribution pensions as they are based on the amount that has accumulated in the pot over time.

Will your pension income be enough?
If you have had a career break for whatever reason, or if you have not made additional contributions into your pension, you may find that the total amount of income you will receive from your various pensions is not enough for you to live the life you envisage once you stop work.

How to get more income
Well, you could consider working longer, and delay taking your pensions. Maybe you have savings you can use to generate more income. What about your home? If you have a spare room you could rent that out, but that may not be the kind of retirement you envisaged. Maybe you could downsize, but moving home is expensive and you need to be sure that it would give you the extra cash you need. If you own your home you may be eligible for what is known as a lifetime mortgage, (see page 3).

Consult a professional financial adviser
If all this sounds a bit complicated, then talk to a professional financial adviser.

We can help

We can help you find out how much you have in your various pension schemes and work out whether they will give you enough income when you retire. If they won't, then we can recommend ways you may be able to generate the additional income you need.

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Helping UNISON members secure their financial future

Each year we run hundreds of seminars on topics ranging from redundancy to retirement that give UNISON members practical help with securing their financial future.

To find out about arranging a seminar or surgery for UNISON members at your place of work please contact one of our regional representatives:

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