



RELEASE
FREEDOM

VIEWPOINT

RELEASE FREEDOM LTD

Thanks for reading our newsletter. If you want to discuss any of the articles in more detail, please get in touch.



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The perks of protection

What support do insurers offer after the event?

Illness and bereavement help.

Many providers give free access to services offering practical and emotional support for those left behind after the death of the policyholder.

Rehabilitation.

Insurers usually offer back-to-work support services, including physiotherapy, careers guidance or advice if you choose to go self-employed. If you're returning to work following a mental health issue, providers will continue to cover counselling sessions for a set period of time.

As well as peace of mind, many insurance providers offer additional benefits that you may not know about.

Whether we're crossing the road or getting on a plane, we encounter risks every day. For many of us, life has felt more uncertain than ever over the past year as we continue to deal with the coronavirus pandemic. Although we can't always control what's happening in our lives, we can plan for the unexpected.

By taking out a protection policy, you can safeguard your family's finances if your situation changes. The main types of protection include:

- Life cover – pays out a lump sum if you die
- Health insurance – pays medical costs at a private hospital or private ward
- Critical illness – pays a tax-free lump sum if you're diagnosed with a major illness
- Home contents and buildings – covers your home's structure (including fixtures and fittings) and contents (furniture)
- Income – pays out if you can't work due to illness or injury

As well as peace of mind, protection policies often come with added extras. We've highlighted examples of some of the perks you could receive when you take out a policy, even if you don't make a claim.

Welcome gifts

When you sign up for a protection policy, some providers offer a welcome gift. For example, health insurers sometimes offer gadgets like an Apple Watch to help you track your activity – with some even offering a discount based on the amount of exercise you do each month.

Discounts

Many health insurers offer discounts on gym memberships and weight-loss programmes to help you embrace a healthier lifestyle. Some also offer you the option of taking a health check to reduce the amount you pay each month.

It's worth noting that when you take out a protection policy, your provider is likely to offer you discounts on other products such as pet or travel insurance.

Additional healthcare options

Some health insurers now cover complementary therapies such as osteopathy and acupuncture, giving you more treatment choices. In addition, counselling services are now included in most health insurance policies and many also give you the option to upgrade your hospital room if you need treatment.

Will writing

Some providers of life insurance give new policyholders the opportunity to draw up a will free of charge.

Cover for children

Many critical illness plans include free cover for dependent children.

Whatever type of protection you're looking for, get in touch and we can help



Pensions after a divorce

Divorce can be just as final when it comes to valuable assets like your pension. Getting some financial and legal advice is a good idea, as pensions are often overlooked during a divorce. There are options to make a claim for some of your former partner's pension pot, whether it's by offsetting their pension against other assets like the family home, sharing a percentage of the other party's pension or one party paying the other an agreed portion of their pension once pension payments begin.

Pensions are complex at the best of times, but during a divorce things become extra tricky. It's also important to note that the laws are different in Scotland. The main thing to do to ensure you are not worse off in retirement is to seek legal and financial advice during the divorce process.

What happens to your pension after you die?

It's good to be aware of what will happen to your pension after you die, and the tax implications for your dependants.

Whether it's a state, workplace, or personal pension, what happens to the funds you've accumulated after you die depends on the type of pension and whether you started taking payments.

State pension

State pensions can be complicated. Depending on whether your spouse or civil partner reached the state pension age before or after 6 April 2016, they could be able to claim your state pension, based on your National Insurance contributions up until the time of your death. They would only be able to make the claims once they started claiming their own pension, however. If they reached pension age after 2016, they would receive the government's 'new state pension' and could also inherit an extra payment in addition to their regular state pension, due to their bereaved status.

Defined contribution pension

Defined contribution pensions can be either personal or work-based and involve contributions from yourself (or if it's a workplace pension, your employer and potentially you, too). If you die before 75 and haven't taken any payments from your pension, your beneficiaries may be able to withdraw all the pot as a lump sum. Alternatively, they could set up a regular payment instead of a lump sum or choose a flexible retirement income (known as pension drawdown.)

If you have started pension drawdown and then die, your beneficiaries can either receive a lump sum, continue the drawdown, and receive the income or use the remaining pension fund to buy an annuity. In all these examples, if you are under the age of 75 when you die, your beneficiaries will not pay income tax on the payment(s) but will pay tax if you die after age 75.

Defined benefit pension

In a defined benefit pension, the retirement income is based on your salary and the length of time you worked for the employer (for example, 'final salary' or 'career average' pension schemes). Within the rules of these schemes are the sections and clauses around how much and when your beneficiaries might receive an income or lump sum. It could be the case that your beneficiaries will receive a percentage of the pension you were – or would have – received – and be taxed on these earnings, too. You can check with your scheme's administrator to find out (and again, a financial adviser can help you with the small print).

Death and a guaranteed annuity

If you buy an annuity, you will have decided the options of payments upon your death, when you set it up. For example, if you arranged the annuity on a joint life basis, your beneficiary would continue to receive a proportion of the income you were receiving. But if you chose a single life annuity, the payments would stop when you died. There might be further payments if you had a 'guarantee period' with the pension provider and died within the guarantee period. In this case, the income would carry on to your beneficiary until the end of the guarantee period.

Speak to your financial adviser to ensure you are aware of where, and to whom, your pensions will go to after you die.

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.

HM Revenue and Customs practice and the law relating to taxation are complex and subject to individual circumstances and changes which cannot be foreseen.





Things to avoid when investing

To keep your investments from losing value or slowing the growth of your assets, avoid these common investing mistakes.

There are more risks and opportunities than ever for investors to navigate in today's rapidly evolving markets. Here are four approaches we believe every investor should follow.

1. Don't pile into cash – stay invested

The biggest advantage of cash is that it offers relative safety. Cash can help diversify a portfolio during times of volatility and is easy to access in an emergency. With cash you'll be paid interest on the money, which will be tax free where it's in an ISA.

You won't lose any money by putting your money in cash, but it tends to offer lower returns than other asset classes. It's also important to know about the impact of inflation on your savings and investments as it can make a huge difference to how much profit you make. Cash is seen as a short-term safe haven and should not be held over a substantial period of time to avoid the impact of inflation.

While it's good to have some cash savings for a rainy day, the spending value of your money can fall over time if inflation is higher than the interest rate you receive. With interest rates on cash investments at historically low levels, and well below the inflation rate, millions have seen the value of their savings eroded in recent years. To make money on your investment you'll need to find an account or investment that gives you a greater return than the current rate of inflation.

2. Don't go chasing fads – think about the long term

Short-term gains can seem appealing for investors, but if you don't want to lose your savings, it's best to not believe the hype about the latest investment craze. Choosing the wrong investment can be a costly mistake. Many investors are turning to social media platforms such as Facebook, Twitter, YouTube, TikTok and other unregulated sources for information about investing.

While it may seem tempting to get investment recommendations this way, it puts you at significant risk from volatile stocks or even fraud. It's easy to jump on the bandwagon, but momentum is typically falling by the time most people join.

3. Don't put all your eggs in one basket – diversify

One of the biggest mistakes when investing is putting all your eggs in one basket as it can leave you exposed to fluctuations in the market. If you've invested in one stock and something unexpected happens and it plummets, you could find your nest egg suddenly disappearing.

One way to lower risk is by spreading your wealth over a wider range of investments so it's not concentrated in one place (known as diversification). By diversifying your portfolio you can reduce the risk that all of your investments will experience the same negative impact at the same time.

Ideally, you should be looking to build a diverse portfolio with a mix of different investments in line with your attitude to risk. A balanced portfolio will contain a mixture of asset classes, such as stocks, bonds, and alternatives.

4. Sit tight when it's right

When markets wobble it can be tempting for investors to sell their shares to avoid any further losses. It's easy to react to short-term losses but the best thing you can do is most often precisely nothing.

Timing the market involves buying and selling investments when you think they will rise or fall at exactly the right moment. It's a difficult strategy that rarely works and there are too many unpredictable factors.

If you sell into a falling market you will lock in your losses and it could take you years to get back to where you were. While markets can fall sharply, given time they can rebound, so instead make sure you take the long view. Stock markets have a history of recovering from downturns. If you see your investment drop, don't worry. Just keep your cool and sit tight.

It pays to seek advice

A financial adviser can help you work out how to achieve your long-term financial goals, while taking inflation into account so it doesn't eat up your returns. Your adviser will speak to you about your attitude towards risk and the level you are comfortable with, helping you make the right investment choices..

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