



**LIGHTHOUSEPLATINUM**  
Wealth Management Ltd



Nick Hodgetts

## *A note from Nick...*

*I hope this newsletter finds you well and looking forward to the festive season. 2014 has certainly not been dull, the Chancellor has been busy making cuts - including many of the strings previously attached to pension funds! ISAs can now be inherited so, combined with the pension changes, tax-efficient savings have never been more flexible. Investment markets aren't quite sure whether to laugh or cry and we still await the inevitable interest rate rise so there are many reasons why it has never been more important to have access to reliable, up to date financial planning advice.*

*If you, or someone you know, would like a review of your financial planning, please get in touch and I look forward to hearing from you. Full details of my service can be found at [www.lighthouseplatinum.com](http://www.lighthouseplatinum.com) and my website has been refreshed so please take a look.*

*Wishing you a very merry Christmas and a healthy and prosperous New Year!*

*Nick*

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### **Insure it!**

It is said that the American housewife pays the insurance first and the mortgage second. Ideally, a review of protection needs takes priority over pensions and savings and there are three main areas to cover: family; mortgage; Inheritance Tax. Is your breadwinner adequately insured? There may be some death-in-service benefits from work and personal pensions will pay their fund out as a tax-free lump sum on death before retirement. If you've moved home and altered the mortgage, your mortgage protection policy may no longer be adequate. Finally, there is a special type of life policy specifically designed to pay an IHT bill. Protection policies can provide a tax-free lump sum or regular income on death or diagnosis of a critical illness and a monthly amount (usually tax-free) to replace lost earnings if on long-term sick leave. Non-smokers pay significantly lower premiums and Income Protection can be suitable for employees as well as the self-employed. Check your employment contract, many only provide Statutory Sick Pay that is currently £87.55 per week. Anyone who could not survive on that alone should investigate Income Protection. If you are in doubt about your family, income or mortgage protection, please call me.

*Continued overleaf...*

## **At or Near Retirement**

Much of my work continues to involve helping people plan for a comfortable retirement. There have been important changes to pension rules already this year and more are to take effect next April. I don't think many will be cashing-in their pension fund to buy a Lamborghini but people will be able to make more use of their pot – including drawing lump sums. The benefits on death are also vastly improved so the fear of losing your life savings to an insurance company is a thing of the past. Annuities have taken a beating in the media but I believe they still have a place, albeit probably not until later in life. More people can now start by drawing their pension income directly from their pot so the investment arrangements may need to change to support those income drawings. Income Drawdown has been with us for several years and, used sensibly, it can be transparent, good value and flexible so I see better times ahead for those with sufficient savings in their pension pot.

## **Saving for Retirement?**

If retirement is still in the future for you, now is the time to be adding to your retirement fund – the more you put in the more you will get out and the above mentioned changes to access and death benefits make saving into a pension even more attractive. If you are an employee, you will be auto-enrolled into a Workplace Pension. I've set up three this year and, interestingly, all three firms were acting some way in advance of their staging date (deadline) yet 69 employees chose to join early. I encourage you to take advantage of your employer's contributions but make your own contributions realistic – you are unlikely to retire with a pension income of 50% of your salary by saving just 4% into a pension fund. I can help you understand the choices and benefits in both Workplace Pensions and Personal Pensions and SIPPs. Incidentally – I can also help employers understand how to cope with the Workplace Pension legislation so please pass on my contact details.

## **Where Next for Savers and Investors?**

As I write, the FTSE100 is less than 1% up since the start of this year but that snapshot doesn't tell the whole story and it's often been a question of one step back then two steps forward. Despite this volatility, market professionals are agreed that equities provide the most attractive option for the long-term investor and I have again been able to report pleasing gains to clients and vital income streams have not been interrupted. How is this possible? I hear you ask. It is not because I have a crystal ball or a magic formula but I do have access to the whole of the market and I am finding increasing success from investment strategies that include multi-asset, multi-manager and a more active style of fund management. The key going forward seems to be proper diversification combined with the ability to re-balance and adjust as conditions alter. In essence, investors have their choice of equities, commodities, property, gilts, corporate bonds and cash and it is widely accepted that asset allocation is the most influential factor – literally, how your money is spread amongst these asset classes. Tracker or “passive” funds blindly follow an asset class or index such as the FTSE100 and have very low charges but we now have the intriguing “passive plus” as a way of combing these low cost funds and other financial instruments with active management in choosing and reviewing the asset allocation. The ultimate expression of active fund management is to use a Discretionary Fund Manager, a highly qualified and experienced professional who has your authority to invest and a clear understanding of your goals and attitude to risk. Most fund managers are paid on results – your success is their success so perhaps it's not so surprising that I'm recommending this approach more often, now that growth is becoming harder to find. Please call if you would like more information about adopting a more active approach or to review your funds.

## **Around the Office**

We recently added some great photos of the office and its immediate environs to our website and they're also on the Christmas cards – I hope you like them. Around one third of my client meetings are held in Wisteria Court.

Lynn and her family are just back from their regular trip to Center Parcs, they love it there. Earlier this year I realised a dream by riding my motor bike around the TT Mountain Course on the Isle of Man. Strictly touring, you understand...

***I hope to see you in 2014 – whether at my office, your home or work-place.***