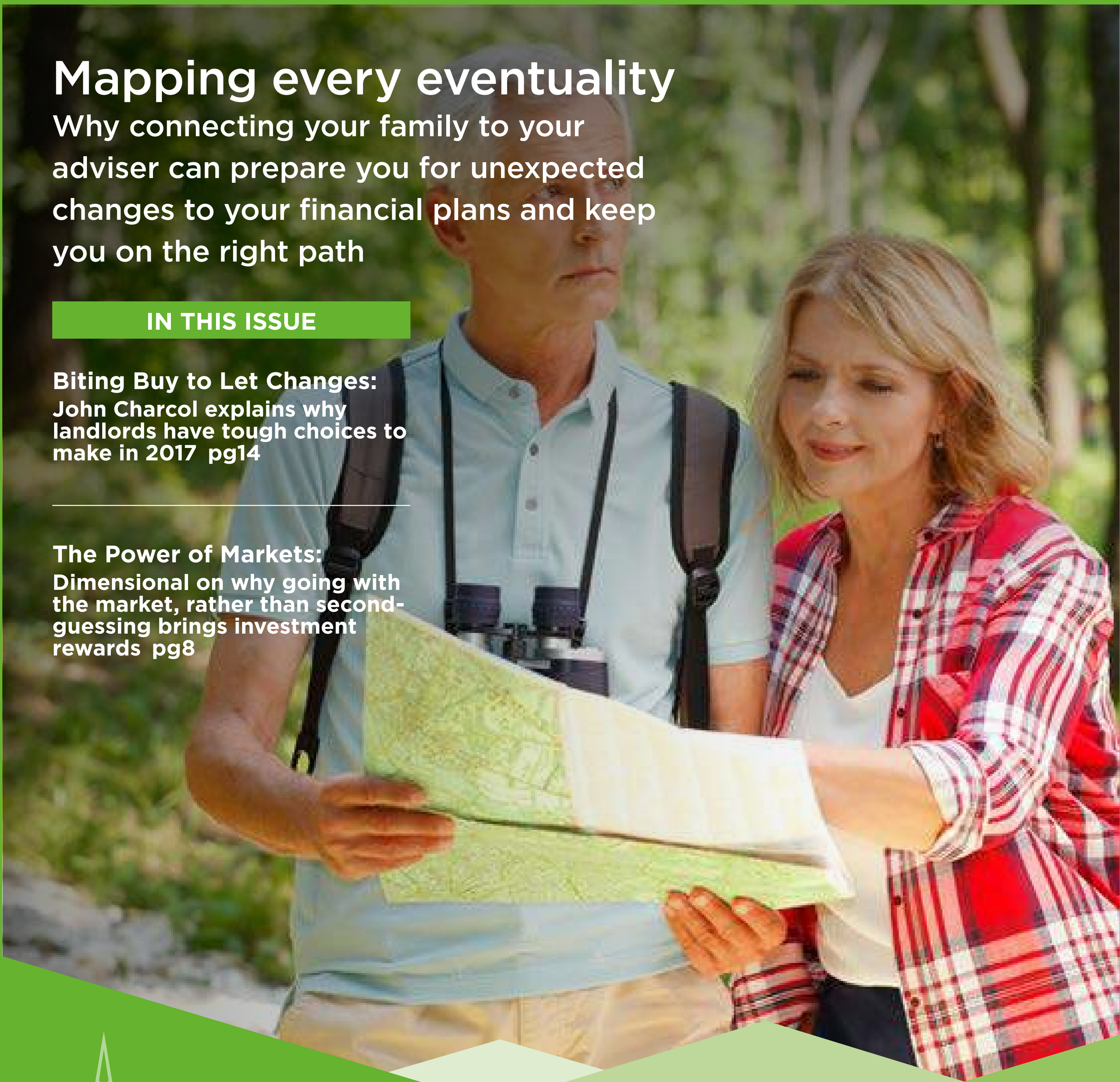
Money Matters

NAVIGATING THE FINANCIAL LANDSCAPE

Summer 2017



Mapping every eventuality

Why connecting your family to your adviser can prepare you for unexpected changes to your financial plans and keep you on the right path

IN THIS ISSUE

WREN STERLING

IN THIS ISSUE

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A warm welcome to the summer edition of Money Matters.

As we approach the longer and warmer evenings, it is worth reflecting on the developments of the past six months. The Prime Minister triggering Article 50 has set the UK on a new path, one that is likely to contain risk and opportunity in equal measure.

The UK economy overall has proven robust, against many forecasts prior to the EU referendum, but caution remains the watchword among investors.

For Wren Sterling this means paying close attention to the services we offer to ensure they remain appropriate for our clients in turbulent conditions, should we experience them.

I know you'll be relying on your adviser to guide you through any turbulence and I'm committed to ensuring we share our thoughts on developments as and when they arise through *Money Matters* and our email communication programme, *Compass*.

In this edition we've got our first contribution from Dimensional. These fund managers take a slightly different approach to investing to the rest of the market, so I think you'll find their article thought-provoking.

This time we consciously decided to reveal more about the benefits of financial advice for people that have only had single interactions with us, as well as longer-term clients who might not have considered the family around them when making plans. Andy Scott in our Glasgow office explains how clients tend to move from single requirements to a fuller spread of advice, while David Everest of our Warwick office explains why advisers need the full picture to deliver their best advice.

Elsewhere, developments continue to come thick and fast in the property market, with new tax burdens for buy to let investors dominating the news. Our partners at John Charcol have written a piece to bring you up to speed.

Finally, company directors will be keenly watching changes to salary sacrifice legislation. Giles Robinson, one of our corporate consultants explains the impact of the restrictions, but more importantly why salary sacrifice is still hugely beneficial for employers and employees.

I hope you enjoy reading *Money Matters* and as ever, please don't hesitate to contact your adviser if there is anything you would like to discuss.

Yours sincerely,

Ian Halley
Chief Executive Officer
Wren Sterling

Financial planning in 2017

2017 is shaping up to be a pivotal year in financial planning. After better than expected economic performance since the UK voted to leave the EU, analysts are watching closely for signs of weakness. Inflation and growth continue to be forecast to rise, while the government attempts to help savers with an extension of ISA limits and a new NS&I investment bond.

Savings & investments

- The annual ISA savings limit has been expanded to £20,000 from 6 April 2017
- A new NS&I growth bond was launched in April 2017. The bond will have a three year term and will be available for 12 months. It will be open to anyone aged 16 and over, subject to a minimum investment of £100 and a maximum of £3,000

Pensions

- April 2017 is the pensions freedom's 2nd birthday
- Auto enrolment is 5 years old in October. The pensions regulator expects as many as 950,000 employees to go through auto enrolment in the 2017/18 financial year

Inheritance tax

- The Residence Nil Rate Band is available for individuals who pass on their main residence to direct descendants such as children or grandchildren. This also includes step-children, adopted children and foster children. It effectively acts as an increase to the existing nil rate band of £325,000 per person. The new band will be introduced in phases starting in April 2017 at a rate of £100,000.

The economy

- The Bank of England anticipates the UK's growth to hit 2% in 2017
- Inflation could reach 2.8% by early 2018, according to the Bank of England

Are you making the most of your financial adviser?

Andy Scott, an Associate Director in Wren Sterling's Glasgow office explains how clients come to appreciate the full depth of financial planning services, often from the base of a single task or transaction.

It's very difficult to talk about client journeys in the broadest sense because every situation, every client's appetite for risk and their lifetime aspirations truly are unique, but I want to explain why many of our clients choose to move towards having a lasting relationship with their financial adviser.

One of the quirks of being a financial adviser is that people don't often seek you out for financial advice.

Very often clients have been referred by a friend, family member, a colleague or sometimes through their employer. I might be pitched as someone who can solve a single issue – but this isn't financial advice in the true sense of the word. For example, this could be a need to consolidate various company pensions amassed over a lifetime in work.

Many of us have worked for different companies throughout our careers and keeping track of the myriad of company pension schemes and the value of them is not a straightforward task.

Naturally, Wren Sterling has the resources to track down a client's various pension schemes and pull them together to give clients an accurate view of their total pension fund.

Staying roadworthy

At this stage, it's rather like going to the cycle shop with a bike with a few broken and missing parts and you need it to be roadworthy for the next few years. After all, you've invested good money in it and you have cycling holidays planned. The assistant sources the parts for you and the bike works again. After we've consolidated a client's pension funds, they tend to feel the same way.

Returning to the bike analogy for a second, you forget to ask the expert for advice on maintaining the bike to ensure it doesn't go wrong in the future. You subsequently forget to clean it or oil the chain and sooner or later it develops problems and you're back in Halfords on a Saturday morning getting it fixed – or worse still, you're halfway up a mountain when it goes.

This time you decide to ask for advice and as your bike is being repaired the assistant tells you about a reward scheme where annual check-ups are given as part of the scheme. This way the bike stays in good condition and gets you through many enjoyable holidays, while you learn about maintenance and can take steps yourself to keep it in peak condition.

The point being that financial advice given at a period in time will be useful and serve a purpose, but if circumstances change, there's a danger of it becoming irrelevant or at the very least, not as relevant as it should be. Furthermore, a big part of receiving financial advice is feeling in control of your destiny, so I always encourage clients to view the service as an education piece, to ask questions and expand their own understanding.

"Financial advice given at a period in time will be useful and serve a purpose, but if circumstances change, there's a danger of it becoming irrelevant or at the very least, not as relevant as it should be."

All speed, no brakes?

Once the client is familiar with their adviser, the process, service and investment proposition, then a full review of their non-pension investments is often the next stage in the advice process.

This usually includes various life and protection policies. Protection is so important in financial planning, because without it, your investments may perform excellently, but you're not covered for the unexpected. Ultimately, an unexpected event could render the returns meaningless if you need to cover that cost with the returns from your investment. It's like having a bike with super slim road tyres fitted for maximum speed and no brakes.

> "Even if there are brakes present, it's prudent to check they still do their job. As time has passed and new factors are likely to be in play, reviewing them is essential to make sure they're at their most effective."

Building a financial plan

More sophisticated clients often then move onto making a financial plan. This is simply lifetime cash flow projection with goals that can be measured in pounds. The cash flow is a method of making sure that the client never runs out of money, taking into account agreed assumptions.

The preparation of the financial plan often uncovers quick fixes that can make a big difference. For example, it may be that the client is holding too much on deposit, which means that long term goals are unlikely to be met.

There could be tax planning opportunities to capitalise on through ISA and pension allowances. Again this could involve moving monies away from deposit to real investments. Central to this is our shared understanding of the individual client's appetite for risk and capacity for loss. Clients may have monies in areas that are either too conservative or too risky, so in the preparation of the financial plan a risk assessment and asset allocation take place, opening opportunities.

Specialist services

This financial plan or cashflow forecast needs to be carried out by a specialist financial planner, so if you decide to undertake this process elsewhere, make sure you ask if your adviser is a specialist. Wren Sterling has several specialists within our adviser population.

The financial plan is then reviewed on an annual basis and changed where necessary, assumptions agreed annually and cost of preparing the plan discussed and agreed.

> "As clients continue through life and their relationship with their financial adviser evolves, they typically require more advanced services in order to stay on track."

It's natural to begin thinking about providing for the next generation, so we advise on whether plans should be placed in trust and we regularly devise inheritance tax strategies.

In the event of a death, HMRC want their monies first before any monies can be passed to family members. If you have the plans in trust, HMRC can be paid and then the balance distributed to the named beneficiaries in a timely manner.

We've covered IHT in previous editions of *Money Matters*, but solutions here can be gifting, lump sum investment in trust or good old fashioned insurance policies in trust. The key to IHT planning is time because that is essential for mitigating its effects.

Next steps

The world we live in allows someone to go a long way just making their own one-off investments and buying their protection policies from comparison sites, but they will never give you confidence that you're making the best possible choices.

Wherever you are on your financial planning journey, there's never a bad time to move your relationship on to true independent financial advice because the more time we have to work on the plan, the more likely we are to achieve your goals.

The Power of Markets as Told by a Pencil

David Swanwick is a vice president at Dimensional Fund Advisors and works with UK and European advisers. In this article he explains why investors should use the power of markets, rather than stock picking to generate investment returns.

In 1958, the economist Leonard Read published an essay entitled "I, Pencil: My Family Tree as Told to Leonard E. Read." The essay describes the "complex combination of miracles" necessary to create a pencil and bring it to the market.

It is tempting to think that a single individual could easily make a pencil. After all, it is made up of common items such as wood, paint, graphite, metal, and rubber. But by delving deeper into how these components are produced, we begin to understand their complex backstory and how the mundane pencil is the result of an extraordinary process driven by the knowledge of market participants and the power of market prices.

Take the wood as an example: to produce wood requires a saw, to make the saw requires steel, to make steel requires iron. That iron must be mined, smelted, and shaped. A truck, train, or boat is needed to transport the wood from the forest to a factory where numerous machines convert it into lumber. The lumber is then transported to another factory where more machines assemble the pencil.

> "The mundane pencil is the result of an extraordinary process driven by the knowledge of market participants and the power of market prices."

Each of these components and each step in the process have similarly complex backstories. All require materials that are sourced from far-flung locations, and countless processes are involved in refining them. What is impressive are the coordinated actions required by millions of people around the world to bring everything together: the foresters; loggers; miners; factory workers; rail makers; carriage makers; ships builders; the providers of capital; and so on. Market prices are the unifying force that enables these millions of people to coordinate their actions efficiently.

Consider how the forester and the logger agree on a price for a tree. The forester (logger) will have a deep understanding of the costs, constraints, and efforts required to grow trees (process the timber). To increase profit, they will seek out the highest (lowest) price when trading. When they agree to transact, the price reflects their combined knowledge of the costs and constraints of growing, harvesting and processing trees.

This knowledge allows them to decide how to efficiently allocate their resources in seeking a profit and is expressed as the agreed price of the tree.

The Power of Financial Markets

A parallel can be drawn between the market for goods and the financial markets. Generally, markets do a remarkable job of allocating resources, and financial markets allocate a specific resource: financial capital. Millions of people participate in financial markets and voluntarily agree to buy and sell securities all over the world. Each day, millions of trades take place, and the vast collective knowledge of all of these participants is pooled together to set security prices.

Exhibit 1 shows the magnitude of participation in the world equity markets on an average day in 2015.

Exhibit 1. Embrace Market Pricing

World Equity Trading in 2015

	Number of Trades	Dollar Volume
Daily Average	98.6 million	$447.3 billion

In US dollars. Global electronic order book (largest 60 exchanges). Source: World Federation of Exchanges.

This helps explain why stock picking is incredibly difficult and expensive and, over the long run, almost assuredly leads to inferior results when compared to a market-based approach.

> "Any individual trying to outguess market prices is competing against the extraordinary collective wisdom of all of these buyers and sellers."

Exhibit 2 illustrates this point. It shows that only 17% of US equity mutual funds have survived and outperformed their benchmarks over the past 15 years. Similar studies of other markets find the same.

Exhibit 2. **Don't Try to Outguess the Market**

US Equity Mutual Fund Performance

Beginning sample includes funds as of the beginning of the 15-year period ending December 31, 2015. Past performance is no guarantee of future results. Source: Dimensional Fund Advisors, "The US Mutual Fund Landscape." See disclosures for more information.

The Lesson for Investors

The story about the pencil makes it clear that no single individual possesses enough ability or know-how to create one on their own but rather that the pencil's production is the result of the collective input and effort of countless motivated human beings.

In the end, the power of markets benefits all of us. We believe the lesson here for investors is that instead of fighting the market, one should work with a financial adviser to pursue an investment strategy that efficiently and effectively harnesses the extraordinary collective power of market prices. That is, an investment strategy that uses market prices and the information they contain in its design and day-to-day management. In doing so, an investor has access to the rewards that financial markets make available to providers of capital.

Exhibit 2 further information:

Source: Dimensional Fund Advisors LP.

US-domiciled mutual fund data is from the CRSP Survivor-Bias-Free US Mutual Fund Database, provided by the Center for Research in Security Prices, University of Chicago. Certain types of equity funds were excluded from the performance study. Index funds, sector funds, and funds with a narrow investment focus, such as real estate and gold, were excluded.

Funds are identified using Lipper fund classification codes. Correlation coefficients are computed for each fund with respect to diversified benchmark indices using all return data available between January 1, 2001, and December 31, 2015. The index most highly correlated with a fund is assigned as its benchmark. Winner funds are those whose cumulative return over the period exceeded that of their respective benchmark. Loser funds are funds that did not survive the period or whose cumulative return did not exceed their respective benchmark.

This article was provided by Dimensional Fund Advisors Ltd (DFAL), registered address 20 Triton Street, Regent's Place, London, NW1 3BF, Company Number 02569601, which is authorised and regulated by the Financial Conduct Authority (FCA) – Firm Reference No.150100.

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Leonard Read's essay can be found here: http://econlib.org/library/Essays/rdPncl1.html.

Salary sacrifice: The key changes and what to do about them

Giles Robinson, a Corporate Consultant with Wren Sterling, outlines the key changes to Salary Sacrifice and why it is still a very useful tool for employers and employees

2016's Autumn Statement included measures to reform salary sacrifice, one of the cornerstones of corporate financial planning. It wasn't a complete surprise as the government had been lining up changes for some time, but now hard deadlines have been applied to areas outside of several notable exemptions.

It's not all bad news for employers and employees. Existing schemes will be protected until April 2018 so there's still quite a while to make the most of salary sacrifice in its current form.

The good news

The government has recognised the essential importance of some major salary sacrifice benefits. Pensions will be untouched, and there will be no change to childcare vouchers whatsoever, ensuring families are still able to plan for the future and receive much-needed assistance with childcare far beyond April 2018, and even 2021.

Cycle-to-work schemes and ultra-low emission (ULE) cars (CO_2 emissions of up to 75g/km) will also be left alone.

What's changing?

The headline is that as of April 2017, most salary sacrifice schemes will be subject to the same tax as cash income. This means that employers can still offer these benefit programs, and that money will still come directly off an employee's payslip, but neither the employee or their employer will receive a reduction in NI payments. Tax will effectively be paid before the money is taken out.

What happens next?

In the wake of these changes, there are two main considerations to be made:

1. With demand being high, it will put a strain on suppliers. If you intend to run a salary sacrifice program, plan for it now and give your supplier notice.
2. Keep in mind the dates when tax savings will expire. If you run a 12-month scheme, you and your employees will not be affected, but a longer program will, for the majority of benefits, see an increase in payments to the employee from April 2018. However, 12 months of saving can very much be viewed as better than nothing for your employees, provided the changes are clearly communicated from the outset.

For now, there is still time to make use of the current arrangements, while remaining safe in the knowledge that there will still be savings on childcare, cycle-to-work and ULE cars for years to come.

These programs still provide excellent support for employees' lifestyle, wellbeing, health and work-life balance, offering benefits of far greater value than the NI savings in the form of a happy, motivated and valued workforce.

Why salary sacrifice is still relevant for employers and employees planning for retirement

Of the salary sacrifice benefits available, the one I spend most time advising on is pensions. For many businesses, the cost savings for even the most modest workforce can far outweigh any additional administrative burden. On the flip side, for employees it's a powerful benefit that can increase loyalty.

With demand being high, it will put a strain on suppliers. If you intend to run a salary sacrifice program, plan for it now and give your supplier notice.

The idea behind it is simple. An employee agrees to give up part of their salary and, in return, you as an employer make increased employer contributions towards their pension.

As an employee's overall pay is now lower, there is less National Insurance (NI) to pay. With employer NI currently at a staggering 13.8% and employee NI as much as 12% (2% for earnings over £827 p/w), this is no small saving.

Aside from the above, senior execs benefit from 'instant tax relief' at their highest marginal rate (subject to allowances). As contributions are effectively taken from an employee's gross pay, this removes the need to reclaim higher rate tax relief via self-assessment or by adjustment to their tax code.

Staying the same

Pensions

Childcare vouchers

Immediately affected

Lifestyle benefits (gym memberships and other workplace perks)

Protected for the near future

Cycle to work scheme

Ultra-low emission cars

School fees

What's in it for the business?

For any salary sacrifice arrangement the big benefit is employer NI savings, which in the case of pensions, can either be retained by the business or directed towards your employees' pension pot. This gives you the ability to increase your employees' pension without costing the business a penny extra.

Considerations

Despite the headline benefits of salary sacrifice, there are some aspects to consider and plan around, including communicating clearly to your employees about exactly what is covered.

- If you provide employees with life cover based on a multiple of salary, this may need to be reviewed to take account of the employees 'effective' lower salary
- If an employee agrees to receive a lower salary, this could affect the amount they are able to borrow for a mortgage without further evidence
- An employee's entitlement to certain state benefits, such as statutory maternity pay (SMP) may be affected
- Employer pension contributions during maternity leave may be higher than under a non-salary sacrifice arrangement
- A sacrifice of salary cannot be allowed to take an employee below the minimum wage
- An employee is not obliged to accept a salary sacrifice arrangement, but owing to auto enrolment, you are obliged to offer employees membership of a workplace pension – this may therefore result in a two tier structure

"As an experienced consultant, it's my job to make sure employers are selecting the right scheme and combination of benefits for their business and their employees. Used correctly, it can maximise value for all parties and can be the difference between attracting and retaining top talent in the market."

Case study: Using salary sacrifice to remunerate in a post-defined benefit world

One such circumstance where the above worked particularly well, was a large Scottish manufacturer with over 300 employees, many of which were highly skilled and well remunerated. After many years of business, the business opted to close its defined benefit (final salary/DB) scheme. It had identified that the promises associated with this type of pension scheme were becoming (and looked to continue to be) very expensive to honour, so the management had already closed the door to 'new employees' and had begun offering a group personal pension in its place.

Whilst the benefits of tax relief alone were apparent, the company wanted to do more to ensure that their scheme stood out from their peers, whilst also 'softening the blow' of ceasing DB scheme contributions for existing members going forward.

After a short discussion with payroll, it was agreed collectively that salary sacrifice would be offered and that the entire employer NI saving would be passed on to employees. This increased employees' pension pot contributions, but without committing any further company funds.

This also allowed the company to re-engage with staff and promote the benefits associated with pension saving as a whole, maximising its return on investment.

Buy to Let: Choosing the right legal structure for your investment

Paul Elliot, Head of Specialist Lending at John Charcol, compares the options for landlords as changes to taxation begin to eat into profits

Limited Company Buy to Let Vs Personal Name

The gradual restriction in the tax relief landlords can receive will reduce over a four year period from April 2017 to the basic rate of 20% from April 2020. That means landlords will no longer be able to deduct the cost of their mortgage interest from their rental income when calculating their taxable profit.

As an example, a higher rate taxpayer who pays 40% tax with a rental income of £15,000 and a mortgage interest of £10,800 (66% of rental income) will see their profit fall from £2,520 in 2016/17 to £360 in 2020/21.

Below is the worked example of how this relief will be phased in:

	Transitional Rates				
	As Now				New
	2016/17	2017/18	2018/19	2019/20	2020 onwards
Rental income	£15,000	£15,000	£15,000	£15,000	£15,000
Mortgage interest	£10,800	£10,800	£10,800	£10,800	£10,800
Reduction in mortgage interest allowance	0% = £0	25% = £2,700	50% = £5,400	75% = £8,100	100% = £10,800
Total rental income on which tax is paid	£4,200	£6,900	£9,600	£12,300	£15,000
Tax at 40%	£1,680	£2,760	£3,840	£4,920	£6,000
Allowable tax relief at basic rate (20% of the annual mortgage interest)	0	£540	£1,080	£1,620	£2,160
Total tax payable	£1,680	£2,200	£2,760	£3,300	£3,840
Profit	£2,520	£1,980	£1,440	£900	£360

What can you do?

It's important to understand how the changes will affect you but one solution is to hold property in a limited company and take advantage of some potential tax benefits. For example, if you're a higher or additional rate tax payer you could find it beneficial in terms of tax saving.

Is limited company buy to let the right solution for you?

It's a simple question, with a complex answer. Before deciding, it's important to understand the pros and cons.

The advantages of limited company for buy to let property investments

Improved tax efficiencies and planning

Holding property in a limited company may offer some tax benefits to certain people.

When you own a property in your name the rental profit is taxed at your personal tax rate. Rental profits on properties held in a limited company are not taxed at your personal tax rate but at the current rate of corporation tax and you'll only be taxed on dividends from the company if the total of all dividends you receive exceeds £5,000 in each tax year. Tax on dividends is charged at the relevant tax rate, not the same rate as income tax.

If you plan to expand your property portfolio, it is possible to retain the profits within the company to fund future purchases without them being subject to income tax (until you decide to draw the profits out of the company).

As a director, you decide when to distribute profits to shareholders. This can help with your personal tax planning.

Simpler and quicker than you think

Setting up a limited company takes just 20 minutes and can be done easily online. But we recommend you should take expert advice from an accountant, or legal adviser before doing so.

Future planning

If you plan to pass your business on to family in the future, it is simpler to transfer a limited company than a privately held property. In this circumstance, as the property remains owned by the company, it could also be protected from stamp duty, inheritance tax and capital gains tax liabilities.

Portfolio expansion

Retaining profits within the company helps to protect them from crystallising tax liabilities, enabling you to expand your property portfolio quicker.

Limited liability

Limited company status means that your liability runs only to any investment that you make in the company (plus any personal guarantees that your lender requires).

The disadvantages of limited company for buy to let property investments

No capital gains tax (CGT) allowance

When the limited company sells the property there is no CGT allowance.

The additional cost of running a limited company

You'll have to factor in costs such as the preparation of accounts (a legal requirement), company tax and corporation tax calculations for HMRC, filing at Companies House, legal fees and annual auditing if applicable. Accountants may also charge a higher fee if preparing accounts for Companies House.

Higher Mortgage Rates

Most lenders charge higher interest rates and fees to limited companies compared to individual buy to let mortgages.

A reduction in the choice of lenders and availability of mortgages

Not all buy to let lenders offer mortgages to limited companies, and those who do tend to offer a smaller product range.

Next steps

If you want to find out more about limited company buy to let we recommend that you contact either a tax or legal adviser prior to embarking on this course of action.

It is Wren Sterling's understanding that only a handful of lenders will consider lending to clients looking to move to a limited company structure and they will typically only consider large portfolios. This process can be lengthy and needs to be carefully planned with the help of experts. Please contact your adviser for more information.

Connecting your family to your adviser for the best advice

David Everest is an Associate Director at Wren Sterling. He understands the interdependency of financial planning on family members and talks about effectively planning for, and managing, these links

Financial advice is a vehicle that can help you organise your finances effectively and give you an overall strategy for reaching your financial goals. Reaching your goals without a plan or direction could be achieved, but it may be more by luck than judgment. Without direction and focus, it could take longer than it needs to.

Financial advice doesn't work in isolation though, as inevitably there are other influences to consider. Often these influences can be very close to home and have a significant impact on the eventual outcome. I'll cover a few considerations in this article that clients commonly have and the related factors that need to be taken into account.

A common goal: retirement planning

Many of my clients see retirement as their priority; looking at how they need to plan for the lifestyle they have dreamed of and a time when they no longer need to work.

> "A typical client of mine might be a couple in their 50s, 60s or 70s. They may have elderly parents and grown up children – known as the 'sandwich' generation, because they have responsibilities for the generation above and below them."

Having a good understanding of the needs of both their parents and their children is key to building in flexibility and planning for the unexpected, while ensuring their own retirement goals can be met.

Long term care

For those saving for retirement or helping their children, long term care may not be an immediate concern. However, the key to planning for it is to start early and keep sight of its importance when building an overall plan.

For others, these might already be pressing issues. The outcome of a relative's long term care requirements could have an immediate positive or negative effect on their original plans, depending on how they are prepared for and handled.

For example, if the client is still working but their parent needs care, judging how to manage the emotions and logistics can be stressful enough but with financial uncertainty this adds to the pressures that can arise.

But having a clear financial plan, understanding that there are options available when funding care and someone is there that can guide them, can be invaluable.

Discussing your family's circumstances, wishes and existing arrangements when you can is always my recommendation. An Enduring Power of Attorney (EPA) or Lasting Power of Attorney (LPA), allows the family to make the best of, what may become a difficult situation.

Inheritance tax (IHT)

It has been said before, but planning is key for IHT. Ensuring you have a current Will that's regularly reviewed can have significant benefits. In April, a new allowance, the Residence Nil Rate Band, enables home owners to receive a tax free allowance of £100,000 (tax year 2017/18). However, not everyone will benefit, as this is only available if the value of the property is passed down the generations.

Discussing your family's views on IHT and who they wish to benefit from their estate and how, is an important aspect of financial planning. Often it is not an easy matter for families to discuss.

However, there are opportunities to make matters easier. Understanding what clients and their families want to achieve and having this documented can avoid misunderstandings, keeping the family together. Understanding how IHT allowances and exemptions can be maximised ensures clients can transfer their wealth as intended.

Approaching retirement and the younger generation

On a happier note, my client's children could be getting married, stepping on the property ladder or expecting children of their own. All of these circumstances place different demands on the parents' investment and protection planning.

By knowing what the client is likely to need and when, we can devise an appropriate investment plan, but also build in valuable protection.

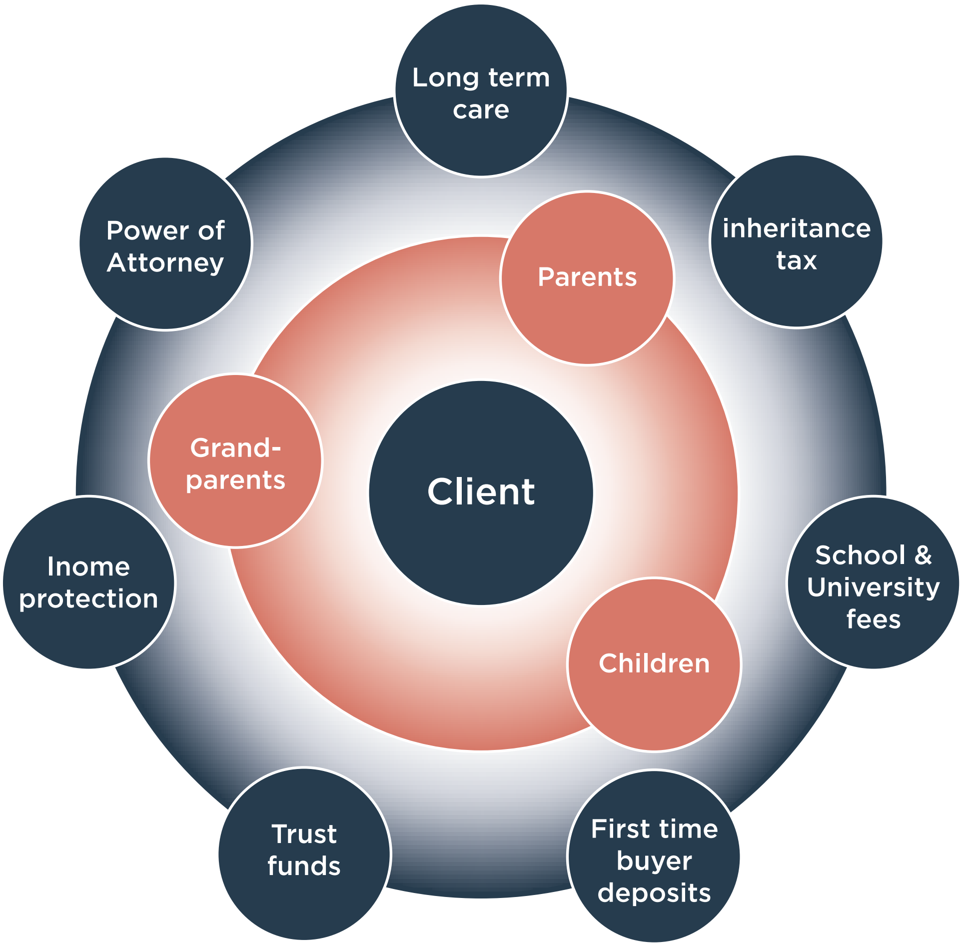
Should the worst happen, be that redundancy, a critical or long term illness or the death of a client, the plans in place for their children and family as a whole, can continue.

The importance of full understanding

An Adviser can't just look at one aspect of their client's affairs in isolation, as that may not be best advice when the wider family, commitments, responsibilities and forthcoming events are taken into consideration. In the case of clients preparing for retirement in a few years' time, there may not be enough time to recover the situation.

> "Having a good understanding of the needs of both their parents and their children is key to building in flexibility and planning for the unexpected, while ensuring their own retirement goals can be met."

Below: a typical "sandwich generation" client and their considerations



Advisers can facilitate tough discussions

Having conversations about illness and death with family members can be difficult for anyone, but we can facilitate those conversations if that makes things easier. I'm often introduced to parents or children to help ensure their financial journeys have been considered and planned for, whatever life presents.

Your adviser is likely to ask you these types of questions because our job is to provide clarity in otherwise complex situations.

The key message to bear in mind is that the more we know and understand, the better our advice will be and the more successful your financial plan is likely to be. Wren Sterling and our professional partners are here to help you plan with all the sensitivity you would expect, helping clients to understand the options and solutions, giving them the benefit and peace of mind of knowing that there is someone there to guide them.

"Understanding what clients and their families want to achieve with inheritance tax planning, and having this documented, can avoid misunderstandings, keeping the family together."

Next steps

If any of David's points have resonated with you, please don't hesitate to contact your financial adviser.

Wren Sterling relies on referrals for the bulk of our business, so if you recognise a friend or family member's situation in this article and you think they would benefit from our advice, please put them in touch with your adviser.

About Wren Sterling

Wren Sterling is a nationwide independent financial planning business that specialises in all aspects of investments, protection and retirement planning. We pride ourselves on navigating clients through their financial journey by providing uncompromised and objective advice. Our advisers are committed to developing long standing client relationships that span generations to achieve our clients' lifetime financial goals.

Where we are

We have advisers throughout the UK, based in 7 regional offices including our Head Office in Nottingham.

- Glasgow 0141 341 5240
- Halifax 0333 0438900
- Nottingham 0115 908 2500
- Warwick 0333 043 9001
- Grantham 01476 560 662
- London 0370 1432 100
- Weybridge 01932 481069

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