

KENNEDY BLACK

WEALTH MANAGEMENT

QUARTERLY PRIVATE CLIENT NEWSLETTER

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Welcome to the fourteenth edition of Kennedy Black Wealth Management's Private Client Newsletter.

This is a special edition, since we are delighted to launch a brand new comprehensive financial planning service unique to Kennedy Black Wealth Management: the INTELLIGENT WEALTH MAP™. This new service will help us deliver deeper, more relevant financial advice – yet still maintaining the highest level of independence and impartiality.

This is a tool we have been developing for some time. Please do not hesitate to get in touch if you would like to see it in action.

In other areas, this newsletter focus on some general planning topics this quarter (e.g. why you shouldn't be counting on that inheritance) and we also summarise some important new pension rules that could catch out the unaware. Please get in touch if you have any questions or have any element of your personal finances you would like to discuss.

LAUNCH OF NEW SERVICE: INTELLIGENT WEALTH MAP™

It is with great pleasure that we officially launch a brand new financial planning service unique to Kennedy Black Wealth Management

The INTELLIGENT WEALTH MAP™ is a market-leading planning tool that will help our clients develop a deeper understanding of their finances.

The seven-step INTELLIGENT WEALTH MAP™ process will provide you with a thorough analysis of where you are in life, where you are heading, as well as insight into the aims and concerns of both you and your family. This comprehensive plan will help you get on top of your finances and set you on a sustainable path for the life you want to live, freeing up your valuable time in the process.

It will help you make some of life's most important decisions:

- How to protect your family's lifestyle from the unexpected
- How to plan for major expenditures

- How to retire with confidence

For instance, we can help quantify how much you need in order to achieve 'financial independence': where work is optional and the life you want to live is both affordable and secure.

And perhaps most importantly, we can compare different scenarios to help you visualise the impact of various decisions on your lifestyle.

If you want answers to any of the following questions, don't hesitate to get in touch to discuss how we can help you answer them:

- How much money do I need to achieve 'financial independence'?
- How do I ensure I don't run out of money when I'm older?
- When can I take a step back and start doing the things I *want* to do?
- What would I need to do to retire comfortably in my 40s or 50s?

- How can I afford the best education possible for my children?

Do not hesitate to get in touch if you'd like more info or a sample report.

NEW PENSION RULES

In the ever-evolving world of pensions, new rules are coming into force this year relating to limits on pension contributions.

From April 2014, the Annual Allowance (the gross amount you can contribute to a pension every year and still attract tax relief) is reducing from £50,000 to £40,000. It is possible to carry forward three years of unused allowances, but clearly the level of contributions is far below the Annual Allowance level in 2010/11 of £255,000.

At the same time, the Lifetime Allowance (the total amount that an individual can accumulate inside a pension and still benefit from the various tax advantages) is also reducing from £1.5m to £1.25m (having been as high as £1.8m in 2011/12).

Kennedy Black Wealth Management Ltd • 41 Lothbury • London • EC2R 7HG
Tel: 020 7125 0224 • email: enquiries@kennedyblack.com • web: www.kennedyblack.com

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For those unfamiliar with the Lifetime Allowance, it is measured at the point of 'crystallisation' (i.e. when benefits are drawn in retirement) and is a cumulative calculation across all pensions as and when they are crystallised. Anything in excess of the Lifetime Allowance attracts a 55% tax charge.

Individuals who have built up pensions that are below the old limit but likely to be caught out by the new threshold will be given one of two different options to 'protect' their pensions – as long as action is taken in time (these opportunities are typically use-it-or-lose it).

We would strongly advise anyone who thinks they may be close to the Lifetime Allowance (or anticipates being close to the limit at some point) to should seek proper financial advice immediately.

This is particularly important for anyone with a substantial Final Salary pension or one where their employer makes significant contributions (since the tax rules don't discriminate between employer and employee contributions).

DON'T COUNT ON THAT INHERITANCE JUST YET...

As I regularly remind my mother- and father-in-law, 1948 was the luckiest year in which to be born.

According to Prudential, cradle-to-grave NHS care, gold-plated final salary pensions, an unprecedented housing boom and remarkable technological and medical advances have made those reaching the State Retirement Age (65) in 2013 the luckiest generation yet.

On the other hand, their offspring may be left wondering when things will start getting better. Recent research highlights that young people have been hardest hit by the ongoing economic malaise, with unemployment at record highs and income for 'twentysomethings' down 12% in real terms compared to 2007/08 versus a rise of 2-3% for the over-60s, according to the Institute for Fiscal Studies.

It is therefore increasingly tempting for members of Generations X and Y to base their future financial security on the inheritance that they hope their parents will leave to them.

However, we believe that this would be particularly reckless for two reasons:

First, an American study from Penn State University calculated a 60% probability of at least one member of a 65 year old couple living to age 90. This means that the expected windfall may not happen for some considerable time.

Secondly, there is a clear disconnection between parents' and children's expectations. While 75% of 20-35 year olds expect an average inheritance of £78,000, according to Skipton Building Society, 37% of parents expect to spend all their money during retirement. In fact, 49% have started dipping into the pot already.

The message is clear: you may get nothing; and those that get something may have to wait until approximately 2038 (when those born in 1948 turn 90 years of age).

Our advice? Ignore the inheritance entirely and start planning for your future on your own two feet. Don't hesitate to get in touch if you would like some guidance in terms of taking responsibility for your family's financial security.

IRRATIONAL BEHAVIOUR #4:

"Anchoring"

Investors have a tendency to get emotionally attached to certain numbers, to the detriment of effective decision-making.

Recently, this was in evidence as the FTSE-100 index of leading shares approached its 1999 all-time peak. While the market has retreated since then, one could almost hear the sound of hundreds of journalists sharpening their pencils in anticipation of some easy, attention-grabbing headlines.

Investors also fixate on the price at which they bought. When an investment falls, the natural tendency is to want to break even before cutting one's losses. This creates an irrational, emotional attachment.

Retailers use anchoring to their advantage in order to manipulate shoppers. If an item is reduced from £500 to £300, the presence of the original price is completely irrelevant.

Investors need to remain unemotional and ignore the temptation to fixate on what are essentially random numbers.

The contents of this newsletter do not constitute advice and should not be taken as a recommendation to purchase or invest in any of the products mentioned. Before taking any decisions, we suggest you seek advice from a professional financial adviser. Past performance is not a reliable indicator of future results. Levels and bases of, and relief from, taxation are subject to change. All figures and data contained within this document were correct at time of writing. Not all areas of tax planning are regulated by the Financial Conduct Authority.



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