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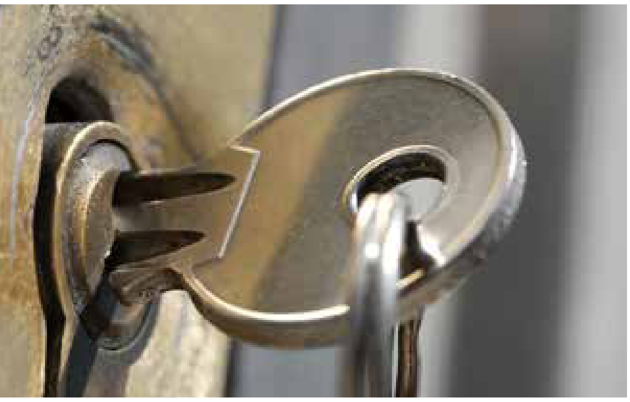
WEALTH KNOWLEDGE

NOVEMBER **2016**



In this month's Wealth Knowledge...40% of families have had to cover funeral costs after the deceased didn't make any financial arrangements. A fifth of self-employed people would cut back on insurance if they had to reduce costs. Paying a year's worth of voluntary national insurance could boost a person's pension by £230 a year. And, as Philip Hammond's first Autumn Statement draws closer, we look at industry body expectations.

Families cover unexpected funeral costs

40% of families have had to cover the full cost of a funeral after the deceased failed to make any financial arrangements, research by Co-op Funeralcare has found.

50% of people who passed away made financial provision for a funeral.

However, 11% of those that have had to arrange a funeral said that the deceased had not left enough to cover the costs.

18% of these had to pay more than three quarters of the cost of a funeral. With the average funeral costing £3,800, this equates to more than £2,500.

How families are covering costs

The most common strategies to cover funeral cost shortfalls were:

- asking family or friends to contribute (54%)
- taking out a personal loan (10%)
- using a credit card (9%).

Richard Lancaster, managing director of Co-op Funeralcare said:

"The end of our lives isn't an easy thing to think about and as a result thousands of families are being left with a legacy of financial as well as emotional grief following a loss."

Ways to save for your funeral

The research found that 48% of adults haven't thought about how they will fund their funeral. If you haven't started planning, there are a number of ways you can save including:

- savings in a bank or building society account
- purchasing a pre-paid funeral plan
- earmarking some savings or investments
- life insurance.

We can advise you on saving for your funeral.

Self-employed lack financial protection

93% of self-employed people do not have critical illness cover, according to research by Scottish Widows.

A survey of over 5,000 self-employed workers found that 34% have life insurance cover. 21% said they would cut back on critical illness cover if they had to reduce costs.

Further findings:

- 62% of self-employed workers' households are reliant on one wage earner's income

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- 12% do not know how long they would be able to pay their bills if they were not able to work
- self-employed people have average savings of £31,442 (£25,767 for the general population).

Johnny Timpson, protection specialist at Scottish Widows, said:

"With so many families reliant on the income of self-employed people, it is absolutely vital that they have a back-up plan in place should the worst happen.

"No one wants to think about disaster striking, but knowing that your family will not be left struggling will give you peace of mind and allow you to enjoy the many benefits that being self-employed brings."

Critical illness cover

Critical illness cover provides a lump sum pay out should you suffer from a specific serious illness or condition.

There are 2 types of premium on critical illness cover – **guaranteed** or **reviewable**. Guaranteed premiums remain steady over the term of the policy while reviewable premiums may rise over 5-10 years.

Illnesses covered vary depending on the insurer and the severity of the illness.

Speak to our team about insurance planning.

Increasing state pension through NICs

Workers can increase their state pension entitlement by filling in gaps in their national insurance record.

Analysis by Royal London estimates that a single year of national insurance contributions (NICs) can be bought for a lump sum of around £733.

This would boost an individual's state pension entitlement by around £230 a year for the rest of their life or £4,600 over the course a 20 year retirement.

Someone who filled in 5 missing years could add as much as £23,000 to their pension.

Royal London predicts that voluntary contributions might be beneficial to those who have a gap between retiring and reaching state pension age.

Steve Webb, director of policy at Royal London, said:

"Large numbers of workers could gain a substantial boost to their state pension for the payment of a relatively modest lump sum."

Making voluntary contributions

Individuals can usually only make voluntary NICs to cover gaps from the last 6 years.

Write to HMRC to find out if you can make voluntary contributions and how much you'll need to pay.

You can pay monthly or make a one-off payment.

Talk to us today about making the most of the state pension.

Autumn Statement 2016 expectations

Chancellor Philip Hammond will deliver his first Autumn Statement on 23 November 2016.

In his speech at the Conservative party conference in October, Hammond said fiscal policy "may have a role to play" as he prepares to "reset" economic policy.

Here are some of the potential measures that we could see.

Living wage

The government could announce the national living wage (NLW) rate for April 2017.

Conor D'Arcy, policy analyst at the Resolution Foundation, said:

"As we approach the Autumn Statement we'll soon learn what the NLW will be next year. An increase to around £7.50 will deliver a welcome annual pay rise of up to £600 for full-time staff."

Infrastructure and investment

Hammond pledged £3 billion to help build 200,000 new homes and provide loans for essential infrastructure.

Adam Marshall, director general of the British Chambers of Commerce, said:

"Increased house-building is near the top of our requests from the chancellor at the Autumn Statement, so it is reassuring that the government is looking at this 'quick-win' for infrastructure development."

Economic policy

Commenting on the potential changes to fiscal policy, Carolyn Fairbairn, director general of the Confederation of Business Industry, said:

"The government is right to adopt a more flexible approach to fiscal policy at this point, but it remains essential that public finances are sustainable over the economic cycle."

Contact us today to discuss government policy and your business.