



# FINANCIAL PLANNING

If you're looking for advice on financial planning, this guide explains some of the things you may need to consider.

We hope you find this guide and the important pointers to each life stage useful as a first step in your research.

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## > Financial Planning

Whether you're just setting out at college or university, starting your first job, starting a family or enjoying your retirement, a little bit of financial planning can help you make sure you've got enough money to live the life you want.

To make your financial planning a bit easier, we've split this guide into six life stages that will give you a few important pointers, depending which stage you're at.

Whatever you choose to do, we would always recommend that you take advice from an independent financial adviser to help you make the right decisions. If you don't already have a financial adviser, you can find one in your local area by visiting [Unbiased](#).

And whatever financial product you're considering, make sure you shop around. You can use price comparison websites to compare the many deals that are out there but remember that not all companies are listed on these sites. You can also find useful tips and advice, and details to the latest offers in the money sections of the weekend newspapers.

We've also provided a few links to other useful sources of financial information at the back of this guide.



## Starting out

If you're starting college or university, or working in your first job, getting to grips with your finances can be a bit daunting. Here are a few things to consider to help you get on the right track.

### Take your money into account

Have you got a bank account? It's much easier to make and receive payments, and keep track of your income and outgoings, if you have one. It's even easier still if you can access your account online or from your mobile.

### Get covered

If you're renting a house, have you insured your personal belongings? Your landlord is responsible for insuring the building you're living in but not the contents, so you need to buy your own contents insurance.

Just think what you'd do if you had a break in and all your precious possessions were stolen. Insuring your contents gives you peace of mind so, if the worst happens, you won't need to find the money for replacements.

Many contents insurance policies also have options for accidental damage or loss and cover for your personal property when you're out of the house, which is an added bonus if you leave your laptop on the bus or rely on your bike to get around. If you speak to your insurer, they will be able to advise you on the costs for these options.

### Taking credit

Do you have any credit or store cards? While building up a good credit history will help later on in life and credit cards can be useful in an emergency, it is important to make sure you pay your cards off every month and keep your spending within your means. This will help you avoid interest payments and additional expense.

### Tip for Today - Start budgeting

The best way to keep track of your money is to start budgeting. Make a list of all your monthly and weekly expenses, and how much money you've got coming in. The trick is to make sure your expenses are equal to or less than your salary, your grant or any other income. Within your budget, it's always a good idea to allocate some money to planning for the future. This could be in the form of regular savings towards a holiday, a new car or even a house purchase, or you may want to consider putting money into a pension which will build up over the years for when you retire.

Get on top of your spending by putting together a budget and sticking to it. If you find you're struggling, think about where you can make a few cuts to stop yourself getting into debt. Here's what a balanced monthly budget could look like:

#### Outgoings

Rent	£550
Gas and electricity	£90
Car insurance and road tax	£120
Petrol	£160
Food, etc	£160
Gym membership	£30
Going out	£150
Savings	£100
Total	£1,360
Monthly income (after tax)	£1,360

### In a nutshell

- Take control of your money with a bank account.
- Create a budget and stick to it.
- Watch your use of those credit cards and pay them off every month.
- Make sure your personal belongings are protected with adequate insurance.
- Shop around for the best deals.
- Consider paying into a pension now – you'll thank yourself for it later on.



## > Young families

You may be settling down with children to support or planning for a family. Or you might be looking to buy your first house, which is probably the single biggest debt any of us take on. Either way, you could be thinking that your money doesn't seem to go very far, and you may really feel the pinch now and then. Here are a few things to think about.

### **Get saving**

Do you have a savings account? If you're taking on extra responsibility, like planning a family or buying your first home, it's even more important to make sure your finances are in good order. And you never know what might be round the corner, so it's useful to have an 'emergency' fund for unexpected expenses. For more information on savings, take a look at our [Savings Guide](#) which will help you choose the right type of savings account for your needs.

### **Buying your first home**

If you're buying your first home, you'll generally need two things - money for a deposit, and a mortgage, which is a long-term loan that funds the rest of the cost of your home. Make sure you can comfortably cover the mortgage costs (including interest) as well as your everyday household running expenses. Also, remember to allow for any additional costs when you're buying a house, like solicitor's fees, stamp duty, surveys and removal costs, as it can all add up.

There are different types of mortgages available and you can find some helpful advice and guidance from [MoneyHelper](#).

### **Insurance to cover everything**

With a new family, a new home and new belongings, it's even more important to make sure that everything is covered by insurance – your house, its contents, your car and even

protection to cover your mortgage payments if you were unable to work. You also may want to think about taking out life insurance.

Shop around for the best deals. Remember to do this every time your insurance comes up for renewal, not just when you first take it out.

Accidents, illness and even death can have serious consequences for you and your family. Life assurance or a critical illness policy will help protect you and give you and your family peace of mind if life takes an unfortunate turn. In addition to the types of insurance mentioned earlier, it's important to consider cover for your family in these circumstances. An independent financial adviser will be able to help you decide which type of insurance would be best for your circumstances and budget, giving you peace of mind.

### **Make the money go further**

As well as saving accounts and insurance, comparison websites can also save you money by showing how you can cut down your bills like credit card bills or other monthly outgoings.

### **Pensions - it's never too soon to start**

Retirement always seems to be a long way off, no matter how old you are, but a pension really is something that benefits from early action.

Although you may be eligible for a State pension, on its own it can be a small amount so it's always worth looking at other ways of building up a comfortable retirement fund.

If your company offers a pension scheme, following changes in the law in 2012, you should now be enrolled in this unless you have explicitly chosen to opt out.

Joining your employer's company pension scheme is a great way to save for your future, especially as you get tax relief on the contributions you make and you get the benefit from contributions that your employer may put into the scheme.

If you don't want to join, you can opt back out during the formal opt out period. You may prefer to make your own arrangements by taking out a personal pension, or you can contribute to the company scheme and a personal pension at the same time, subject to certain limits.

There's plenty of information available online and an independent financial adviser will be able to explain all the options that are open to you.

### **Tip for Today - Are your contents covered?**

It's a startling fact that the cost of all the possessions in the average UK home is around £35,000\*. That's not the house itself, just all the stuff inside it!

Things like kitchen appliances, TVs, computers and games consoles might be obvious, but what about the cost of replacing CDs, DVDs, clothes, crockery and all the other smaller items you probably use every day without thinking?

To make sure you're completely covered, add up the replacement cost of absolutely everything in your home, then use insurance comparison websites to find the best insurance deal.

But remember: under insure and you could lose out if you have to make a claim; over insure and you're just wasting good money.

## *In a nutshell*

- It's an important time to keep saving regularly and watching where the money goes.
- Interest is basically the cost of borrowing and it'll be a big part of your mortgage repayments for many years to come, so make sure all your outgoings fall within your means.
- Current interest rates are low so, when choosing your new home and mortgage, always consider whether the mortgage you are looking at would still be affordable if interest rates were to rise.
- Protect your family, home, contents, car and mortgage payments with adequate insurance cover – make good use of those comparison websites to shop around.
- The earlier you sort out your pension, the easier it will be to build up a decent sum for your retirement.



### ➤ **Established families**

At this point you've probably got most things covered. Your children are growing up, you're well into your career and your family has a nice, comfortable lifestyle. You've had the house a few years now, so maybe it's time to start looking a bit longer term.

How about putting something away for your children's future? University fees won't be cheap so it'll pay to start saving now. And, although you think it might be quite a way off, could there be any wedding expenses on the horizon?

#### **Look after yourselves**

Accidents, illness and even death can have serious consequences for you and your family. Life assurance or a critical illness policy will help protect you and give you and your family peace of mind if life takes an unfortunate turn.

You might also want to consider private health care, which can give you and your family quick access to medical treatment. An independent financial adviser can talk you through the different options available.

## **Invest in your family's future**

Investment is a bit like saving, but you will be tying your money up for a longer term, usually five years or more.

Some investments grow through the addition of earned interest, like a savings account, whereas others might be invested in assets such as company shares or property. It's important to remember that the value of these assets could go down as well as up and that could affect your investment 'return', which is the money you earn on any investment.

If you're looking at investments, you need to know what kind of investor you want to be. This will be decided by your attitude to risk and your reasons for investing, so these are some of the questions you should be asking yourself:

- How much risk do I want to take with my money?
- Do I want to leave my investment to grow, do I want to take an income from it, or a mixture of the two?
- Do I want a long term investment?

If you're not sure, an independent financial adviser will be able to help and steer you towards the best kind of investment to help you to meet your financial goals.

## **The pensions clock is ticking**

If you haven't sorted your pension out by now, it really should be a priority. The longer you leave it, the more you'll have to find every month to fund a comfortable retirement. Your monthly contribution at age 30 could be just half of what you'd need to find if you put off paying into your pension till you're age 40.

### Tip for Today - Are you paying enough into your pension?

Knowing how much income you'd like to enjoy in retirement will help you to determine how much you'll need to save. Here's what you should be considering:

- What will your monthly outgoings be when you're retired?
- Will they be more or less than your current outgoings?
- Even if you've paid off your mortgage, will you have any new expenses that will need to be covered?
- Will you want extra money for hobbies, holidays or other treats?

You might be able to put more money into your existing pension plan(s) each month if you need to top up your pension payments. You could also take out a separate Additional Voluntary Contribution (AVC) plan, but only if you're already contributing to an occupational pension scheme.

These plans may be offered by your employer (known as an in house AVC), or directly to you by a life insurance company (known as a Free Standing AVC, or FSAVC for short). Take a look at the [MoneyHelper](#) website for more information.

### In a nutshell

- Look out for your family with health or critical illness protection.
- Start saving long term by looking into investment plans.
- If you haven't sorted out a pension yet, do it now!
- If you do have a pension, when did you last review it? Does it need topping up?



## > Empty nesters

Your children have left home and now you've got the house to yourselves again. You may also have a good amount saved and all your insurance and protection in place. You might have even paid off your mortgage and, with fewer outgoings, you're looking forward to your retirement. Here are a few things to think about on the financial front.

### Retirement's on its way

If you're approaching retirement, you should be thinking about your pension fund and what you're going to be doing with it.

At some point soon, your pension provider will write to you to ask you how, when and where you want your pension to be paid. This is when you'll need to consider all of your retirement options including shopping around to see what other providers offer, and take advantage of the Pension Wise guidance and independent advice available. Changes to pension rules in April 2015 mean that there are essentially six choices for pensions savers with a defined contribution pension:

1. You can keep your pension where it is
2. You can take a guaranteed income for life (known as an annuity)
3. You can get a flexible income
4. You can take your pension savings as a number of lump sums
5. You can take all of your pension savings all in one go (known as cashing-in)
6. You can choose more than one option and mix them

All of these options need to be considered carefully along with risks and benefits to ensure that you make the best decision. Whilst all of this information will be outlined in your retirement pack sent by your provider it is important to shop around and consider what other providers have available to make sure you choose the best solution for your needs, both now and in the future.

### Tip for Today - use the help available to you

Choosing what to do with your pension savings is an important decision. There is lots of help and guidance available to help you consider all of your options. Pension Wise, is a government service from MoneyHelper that offers free, impartial guidance about your defined contribution pension options. Find out more about [Pension Wise](#) and how it could help you in making an informed decision.



## > Retirement

You may have been retired for a few years, but you still feel very active and you'd like a lifestyle that reflects that. And despite leaving work, there never seems enough time to get everything done!

But you've still got some important financial decisions to make – ones that could help you supplement your pension or maybe help you plan for care you may need in later life.

You could consider releasing some of the equity in your home for a cash lump sum, although it's important to get the right independent financial advice if you go down this route as equity release might have implications if your circumstances change or if you want to leave your house to your children.

If you find you've got a bit more time on your hands, you could consider part time work. Any income you get from this will be regarded as taxable income and you'll be taxed at the usual rate if your overall taxable income (which will include your state and company pensions, and any other taxable benefits) exceeds your tax free allowances. However, your tax free personal allowance is usually higher when you retire, so you might be able to enjoy a part time job without worrying about the taxman.

### **How much are you really worth?**

It's an important question, because it could mean you're liable for Inheritance Tax (IHT). Your estate includes everything you own – your house, your car, valuables, investments, etc – and it all adds up.

Everyone is allowed to have an estate valued at up to £325,000. If the value of your estate is above the £325,000 threshold, the part of your estate above it might be liable for tax at the rate of 40%.

If you're married or in a civil partnership and your estate is worth less than your threshold, any unused threshold can be added to your partner's threshold when you die.

### **Funeral planning**

Funeral planning isn't something any of us like to think about, but knowing that things have been taken care of can take a lot of stress away at a very difficult time for your loved ones.

Funeral costs have been escalating over the last few years and when you look at everything that's involved – burial or cremation fees, cars, undertaker's fees – you can see how it all adds up.

In fact the average cost of a basic funeral is now £4,141 (but this varies by region). And that's before you've considered any extras like flowers, catering, a notice of death advertisement in the paper, order of service cards, and maybe a grave marker or headstone, so it could be quite a bit more. The average cost of dying is now £9,658.

There is a range of options open to you if you want to take care of these costs now. There are Whole of Life Plans which offer a cash sum when you die, or fixed fee plans that guarantee to cover the whole cost of your funeral, even if prices have gone up. You can also get specially tailored plans from funeral providers that look after everything, right down to the music you choose.

Talk to an independent financial adviser and take a look at comparison websites to see who's offering the best deals and the right plans for you and your family.

The [bereavement and funerals](#) section on our website also has some information that might be of interest to you and includes details of a funeral plan from another provider.

#### Tip for Today - Make a will

If you die without having made a will, your estate could be split up and distributed in a way that you might not have wished, and you could create financial problems for your partner and children.

You can draw up a will yourself because you don't necessarily need a solicitor, although it's always advisable to have important things like this checked over professionally – especially if there's things like a shared property involved. A solicitor will be able to tell you in advance what the costs might be.

Remember to include all your money, property and possessions as well as instructions on who should benefit. You'll also need to appoint at least one executor – usually a friend or relative – who will carry out your instructions.

You can find advice on wills online through sites such as the Citizen's Advice Bureau.

[Citizen's Advice Bureau – Guide to making a will](#)

### In a nutshell

- Work out what your estate's worth.
- Make that will, if you haven't already done so.

\*Source: <https://www.sunlife.co.uk/funeral-costs>



## Getting the best advice

This guide has been designed to show you what financial planning decisions you might need to make at different stages in your life.

Wherever you are on the long road between further education and retirement, good financial planning can help give you and your family peace of mind over the years.

We've outlined some general advice in this guide but if you need to find out more, see the [MoneyHelper](#) website.

You should always consider speaking to an independent financial adviser before making any financial decisions. If you need an independent financial adviser, Phoenix Customer Care can introduce you to one. Alternatively, you can find one yourself in your local area by visiting [Unbiased](#).

Don't forget that an independent financial adviser may charge for their time and advice. If you don't already have a financial adviser, Phoenix Customer Care can put you in touch with independent advisers who can help you make the right financial choices.

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