BREWIN DOLPHIN

The big squeeze

Contents

You've worked hard for many years, established a career and your children are growing up fast. You may be at or near your earnings peak and probably enjoying a better quality of life than ever before.

But, you still feel under financial pressure. That's because you feel squeezed by the need to support your children and meet the financial needs of your parents.

Sound familiar? Then you have joined the sandwich generation. And that means you face some tough decisions. How can you fund your childrens' education? How can you ensure they are not overly-burdened with university debts as they start their careers and set up home? Are your parents financially secure and should you be talking to them about long-term care? If there is an inheritance what is the most efficient way to pass it down the generations?

With your earnings in the sweet spot, now is the time to secure your own long-term future and retirement. But, with your attention focused on your loved ones and your work, it can be difficult to carve out time to take a good look at your own financial affairs.

That is where our experts can help. At Brewin Dolphin we can work with you and your family to develop tailor-made financial plans that make the most of your pensions, savings and other investments. We will do the hard work, building a financial action plan to ensure every member of your family has the security they need today and in the future.

Feeling squeezed

It has never been easy to find yourself stuck in the middle, balancing the demands of growing children and ageing parents. However, many Britons in this difficult position are feeling under more stress, financial and otherwise, than ever before.

At least a million people in Britain are estimated to be financially responsible for both younger and older family members – part of the so-called sandwich generation[1].

Looking after the finances of family members at opposite ends of the spectrum can be expensive.

On one side there is the growing pressure to finance your children through education and help them onto the housing ladder. With university numbers near record levels[2], many parents are providing their children with financial support for longer than ever before.

On the other side is the pressure created by our ageing population. As more of us live to a ripe old age the question of whether our parents will have enough money to fund them through retirement becomes a genuine concern.

Even if your parents' finances are healthy, there is the ongoing worry about what will happen if they become infirm and unable to look after themselves. Longer lives may be welcome, but one consequence is greater demand for long-term care.

Faced with these concerns, other financial objectives, such as ensuring you are saving enough for your retirement, can get forgotten.

The struggle faced by the sandwich generation, even those on higher incomes, is highlighted in stark detail in part two of the *Brewin Dolphin Family Wealth Report, entitled 'The big squeeze'*.

Brewin Dolphin commissioned the Centre for Economics and Business Research to look at trends in wealth and income in recent years, and the picture it presents makes troubling reading.

Key findings include:

- Men in the 40-49 age group are at their peak earnings (women peak between 30-39)[3], yet both men and women in the 45-54 age group are more likely to be saving nothing at all than any other age group.
- 30% of 45-54 year olds are saving nothing, and a fifth (20%) are putting away less than 5% of their net income each month.
- 14% of those with an income of £100,000 to £150,000 and 21% of those with incomes above £150,000 save less than 1% of their net income.
- Some 55% of the population, and 43% of those with incomes above £50,000, think they do not put enough money aside for retirement, citing a lack of spare cash as the main reason.
- Home ownership rates have declined drastically for younger generations as house price growth has far outstripped growth in average earnings in recent years.

1 LV=/ICM: One in three Brits now in the 'stretched middle', 24 October 2014.

2 BBC: Record university offers as top A-level grades slip, 18 August 2016.

3 According to ONS Median full-time gross weekly earnings by sex and age group, UK, April 2016

The information contained in this document is believed to be reliable and accurate, but without further investigation cannot be warranted as to accuracy or completeness.

Just as the challenges faced by the sandwich generation are clear, so are the solutions that can make life easier for both you and your loved ones.

Rather than just hoping for the best, you need a roadmap that can secure your own and your family's financial wellbeing. Over the next pages we explain how we can help you establish a family financial action plan: one that will ease the squeeze and help you to face the future with renewed confidence.

Clarify *your* objectives

By the time you reach your late 40s or 50s your earning power is likely to have increased significantly. This could be a good time to look at your financial protection needs, to review your pension and to plan ahead as a family.

You may have a substantial amount of disposable income and feel you should be making better use of it to make the most of the opportunities that lie ahead.

The only thing that may be stopping you is the simple fact that you are unsure what to do. When you are living a busy life and feel sandwiched between long-lived parents and children who need support it can be difficult to consider your long-term plans. The uncertainty of what lies ahead, not just for yourself but also for your loved ones, can provoke a state of inaction.

Even if you feel your finances are in shape it is always a good idea to review them on a regular basis. That way you can make sure that you are clear about how you want to live in the future, whether your investments are on target to meet your goals and that you are using all the allowances available to you.

Our experts can work with you and your family members to develop a personal and precise action plan that can help you take control of your finances, including your pensions, savings and other investments. The roadmap we create for you will include considerations such as…

Protecting your future

If you are in a strong financial position now you should be taking action to protect it. Your family's security, the education of your children and your long-term savings may be reliant on your salary. If something unfortunate were to happen, an incapacitating illness or even a death, the outlook for you – or for those around you - can change instantly. That means it is sensible to establish some form of financial protection.

There is a range of products that play different protection roles that can be used in different ways – often in quite sophisticated strategies that require expert advice to establish.

> It's not necessarily about finding more cash; it's about using what you have more effectively. This is the cash equivalent of the butterfly effect; small changes today could make a big difference tomorrow.
>
> Liz Alley, Divisional Director of Financial Planning at Brewin Dolphin

Prioritising your pension

Once you have got your protection in place it is time to think about investing, especially for your pension. At Brewin Dolphin we think of pension saving as like being on a roadway to retirement. Most people start on the roadway in their 20s or 30s and by your 40s you are already half way there. By your early 50s the end of the roadway is fast approaching.

Your 40s is often a good time to build on your existing savings. You may be hitting peak earnings years and so you could potentially benefit from higher tax relief on your pension contributions. Delaying now could cost you later - you may now be closer to retirement than the start of your working life.

Even if you have been saving for many years there is no room for complacency. As long as you are unsure what you want your pension to achieve and whether it is on course to deliver at retirement there is always the danger that it could disappoint.

Another reason to take full advantage of pension tax allowances as soon as you can is that there is no guarantee they will be there in the future.

Our financial planners can help you with 'cashflow analysis' for your retirement. This will analyse your future cashflow position and identify areas where you are potentially at risk of a shortfall. Your financial planner will be able to 'stress test' how different financial decisions, growth rate assumptions and economic events might impact on your ability to meet your retirement goals. Among the things we can help with are advising on using money in a tax-efficient way and putting in place a plan that takes account of inflation to help make sure your savings last as long as possible.

As a first step towards securing the retirement you want, take a look at the *Retirement calculator* on Brewin Dolphin's website, **www.brewin.co.uk/retire**. This will help you to start thinking about when you would like to retire, how much money you will need to live on and whether your savings are on target - the basis on which we would create your retirement plan.

Planning ahead as a family

As your parents age they may express concerns about their own financial future and might also be keen to help you and your children to achieve your goals.

Like you, they need a financial plan that tells them what they have now and also determines whether they will have enough capital and income in the future.

Establishing their own financial position may give them the confidence to pass on some of their wealth to you or your children now, during their lifetime. If you would like to find out more about how we can help your parents - and how they may be able to financially help you - the *Brewin Dolphin 'Mind the generation gap'* report covers the essentials.

Talking openly about your parents' intentions, the likelihood of any inheritance and their future care needs is usually the best way to proceed. Setting up a power of attorney can provide peace of mind, ensuring that you, another family member or trusted friend will be able to manage your parents' affairs if they are no longer able to.

Our experts can help devise the most effective financial plan for you and your family. There is no way of knowing for sure what will happen but having a plan means if the unexpected happens you won't be completely unprepared. With tomorrow under control, your family will be better able to enjoy today.

The value of investments can fall and you may get back less than you invested.

No investment or financial protection product is suitable in all cases and if you have any doubts as to a product's suitability then you should contact us.

Please note that this document was prepared as a general guide only and does not constitute tax or legal advice. While we believe it to be correct at the time of writing, Brewin Dolphin is not a tax adviser and tax law is subject to frequent change. Tax treatment depends on your individual circumstances; therefore you should not rely on this information without seeking professional advice from a qualified tax adviser.

University challenge

Education, as every parent knows, can be a costly business. The average cost of sending a child to private day school is now just over £13,000 a year[3].

University tuition fees alone cost up to £9,000 a year (£9,250 for courses starting in 2017). Add in maintenance costs to pay for the likes of food and rent and the expense of a university education can soar.

State-sponsored loans exist to cover university costs but that means many students complete their degrees heavily in debt. Interest starts to accrue on the money your child borrows from the moment it arrives in his or her account. Students graduate with average debt of £44,500 in the UK, according to the Sutton Trust[4]. While this is lower in Scotland and Wales, students here still emerge with sizeable debts at the start of their working lives.

Student loans are not loans in the conventional sense, as repayments are linked to how much the graduate subsequently earns. Unlike a mortgage or bank loan if it isn't repaid after 30 years it will be written off.

However, understandably many parents feel uncomfortable with the idea of their children starting their working life saddled with debt. Many parents worry that, by reducing monthly take-home pay, student debt will narrow their children's opportunities including their ability to get a foot on the property ladder.

If you are concerned about your own children's future, our experts can work with you to establish a university finance plan.

Case study

Making university pay

Luke, 48, is happily married with one daughter Kelly who has just won a place at university. Thanks to her father's foresight, Kelly already has her tuition and maintenance fees covered.

Since Kelly's seventh birthday Luke has been paying £340 a month (£4,080 a year) into a stocks and shares investment scheme with Kelly's university fees in mind. Coincidentally, that is the same amount you can pay into a Junior ISA in the 2016-17 tax year.

Saving on a regular basis means the investment has benefited from pound cost averaging, smoothing out the highs and lows of stock market investing.

The investment's returns have also been boosted by compound interest. This complicated sounding process is really quite simple. When you invest money you hopefully earn a return on your capital. The next year you earn a return on both your capital and the return from the first year. In the third year you earn a return on your capital and the first two years' returns, and so on. Please bear in mind that this is an illustration only and the value of an investment can fall as well as rise and you may get back less than you invested.

Thanks to Luke's diligent saving, by the time Kelly turns 18 the investment has built up into a nest egg worth almost £57,005. At university Kelly draws around £21,000 from the investment each year to cover university tuition fees and maintenance costs, leaving the remainder invested[6]. At the end of her third year she graduates and unlike most of her student friends she is completely debt free.

That isn't where the savings end. Kelly is also freed from having to make loan repayments for the next 30 years. This means she can save for a house deposit instead of paying off her student loan, giving her a head start over many of her graduate friends.

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3. Financial Times: £180,000 – 13 years of London private school fees, 2 September 2016
4. Financial Times: UK graduates leave university with more debt than US peers, 28 April 2016
5. £56,984: assumes a 4% return after charges
6. £20,809 in year one; £21,142 in year two; £21,480 in year three

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Moving forward

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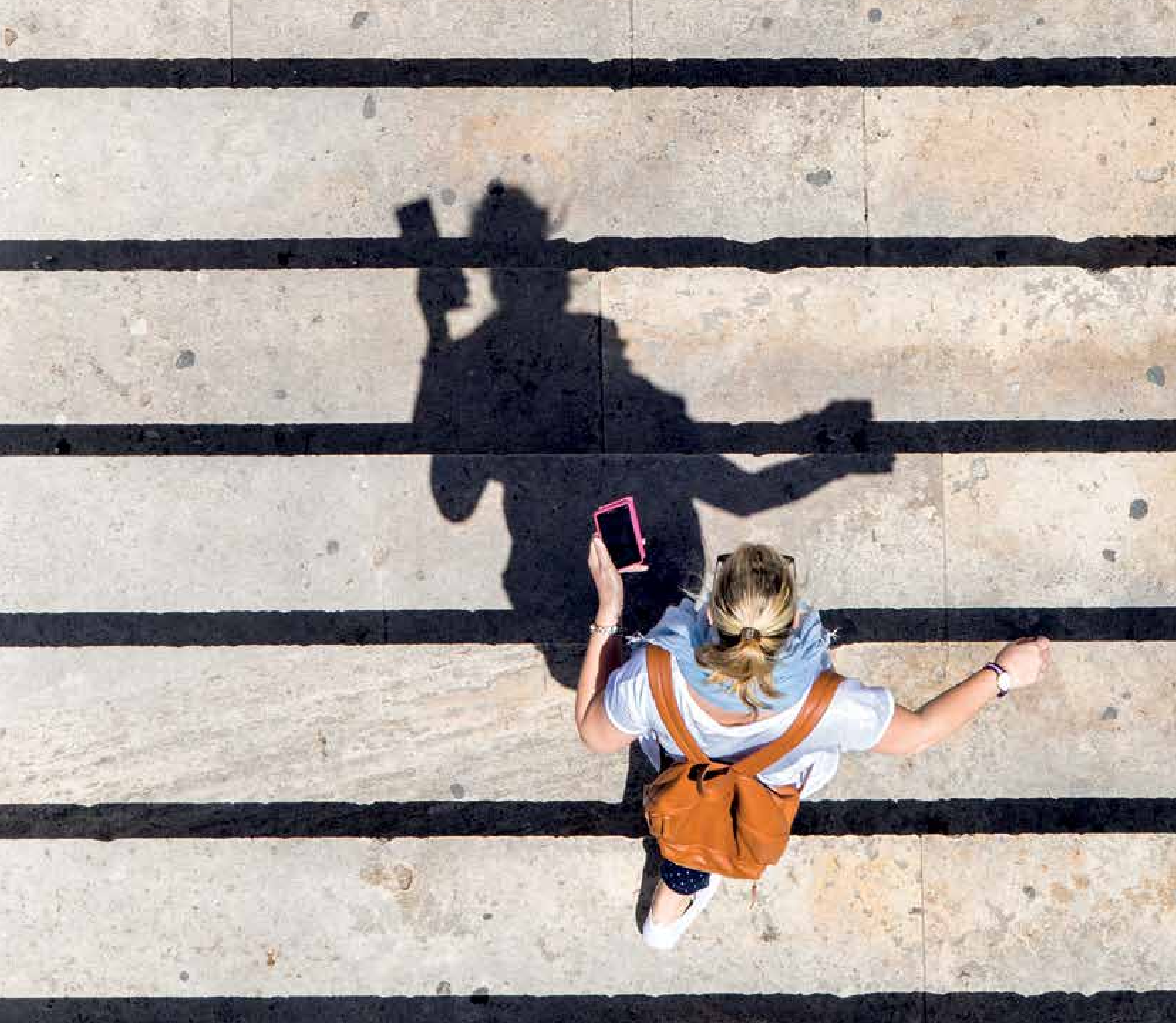
- Take stock of what you have, what you owe and what is coming.
- Put financial protection in place to safeguard your financial position.
- Take control and get a financial plan based on how you want to live – now and in the future.
- Make the best use of your earnings – and tax allowances – to secure the retirement you want.
- Talk to your parents about their financial aims and concerns.
- Remove tomorrow's anxiety by taking control now.



About us

We are an independent and award-winning wealth manager, specialising in creating bespoke financial plans and investment portfolios for individuals, charities and pension funds.

Brewin Dolphin was founded in 1762 on the belief that the successful management of wealth takes an understanding of money but is rooted in an even deeper understanding of people. Even with today's technological advantages, we continue to believe that the best way to understand your needs is to invest time with you. It is only by understanding your personal ambitions and aspirations that we can create and execute a strategy that will truly achieve your goals. Placing such a premium on personal relationships, we have built up a network of 28 offices across the UK, Channel Islands and Ireland.

As one of the largest independent wealth management companies not tied to any banks or fund managers, we have made a very deliberate choice to have no in-house funds or products. This gives our advisers full independence in how they craft personal advice and investment strategies for clients. Our independent in-house research team develops its own unconstrained views and insights on markets, funds, asset classes and individual companies, which our client advisers can draw upon to best manage your wealth.

We believe that only with an approach like ours can wealth management advice be truly bespoke.

To speak to one of our financial planners, call 020 3201 3900 or contact your local Brewin Dolphin office and we will be delighted to help you.

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Whilst Brewin Dolphin looks across a wide range of financial products and services in order to meet your needs and objectives, we will not review all Retail Investment Products in the market. As such we offer a 'Restricted Advice' Service.