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Horlock Holdcroft
FINANCIAL CONSULTANTS Ltd

Money Management financial planner awards 2010
WINNER SIPP Planner

News……

- We are delighted to welcome. Stephanie Longden who has joined us with effect from Monday 7th March as a Financial Services Administrator and is already becoming an extremely valuable member of the team.
- Nick had the pleasure of discussing Pensions, Auto-enrolment and the impact on Employers on Uckfield FM on the 19th January. We're hoping to offer our expertise for other financial services debates on upcoming shows so do keep an ear out for us on the radio – 105FM
- The government has announced some impending changes to drawdown pension policies including alterations to the maximum income limits – but don't panic! We have written to all our clients who hold the relevant types of policy to explain the changes and any impact it may have on them.
- It's now crunch time for British households as the downturn in the economy, below inflation pay rises and the reality of having less money in our pockets creates a variety of issues. We have therefore devoted this newsletter to looking at the value of spending some time reviewing your finances and your personal budget.

Inflation and Unemployment Rise

Inflation is now at its highest level for a number of years and with the price of food, clothes, petrol and other goods climbing faster than most people's salaries, things could get a whole lot worse before they get better.

With essential living costs rising, family's disposable incomes are dropping at the fastest rate since the 1970's. According to Mark Vickery at Energyhelpline.com, we can expect increases of between 5-10% over the recent winter months in energy bills alone. EDF were the first to make the move, increasing its rates by 2.6% from 1 September last year

The rise in costs is due to the wholesale cost of gas increasing by around 40%.

Considering that approximately 40% of electricity is generated by gas-powered turbines, the effect on the cost of energy is going to be seen.

However, there are ways to ease the financial burden and beat the price rises. Households could save on bills and financial services by following some simple money saving tips:

Welcome

Welcome to the March edition of the Horlock Holdcroft newsletter, our update on developments in the world of financial services.

If you have any questions about the contents of this issue, please do not hesitate to contact us.

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Energy Bills

It has been a cold and expensive winter and with the average annual energy bill rising to £1,121*, there is no better time to ensure you are on the best tariff.

Consumers need to adjust quickly to these far higher household energy bills and there are two keys steps to this: make sure you pay the lowest possible price for your energy and learn to use less of it.

Paying the lowest possible price

Very few consumers are actually paying the lowest price for their energy – just half of all households have ever switched supplier.**

The good news is that you could save up to £458** a year by switching energy suppliers, especially if you have never switched before.

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The important thing is to compare prices across all energy plans before switching. Make sure the comparison is based on your individual circumstances – where you live, your actual energy usage and how you like to pay – so you can be sure you are getting the right deal for you.

Be economical and environmentally friendly

You could make savings by turning off your appliances rather than leaving them on standby. Alternatively you could buy a 'standby' plug which achieves the same objective. These cost around £14 per plug and could pay for themselves within around 6 months.

Fit all your lights with energy saving light bulbs and you could save up to £50 per year.**

Turn your thermostat down by one degree and save up to £65** a year on your heating bill.

Telephone

If you have never changed provider for your line rental and phone calls, be aware that there may be cheaper phone call packages around. Depending on your existing package, where you call and how often, our research shows that you can save up to £300** a year by switching your home phone supplier.

Entering your details on a comparison site such as www.uSwitch.com or www.moneysupermarket.com will help you find the cheapest supplier in your area.

Broadband

With over 15 million homes now signed up, broadband internet has become as much of a life essential as home phone or TV. Prices have fallen over the last 6 years, whilst speeds are getting faster than ever. Despite this, five million homes are paying more than the going rate for broadband and you could save up to £218** per year by switching to a new broadband internet provider, but it is important to consider the following:

- Be aware that the 'up to MB' speed offered by broadband internet suppliers is the maximum connection speed the provider offers. In reality the speeds you experience may be significantly lower, due to factors such as quality and length of the actual line from the exchange to your home.

- Think about how much you will be downloading a month and ensure your new package will cover this. Online services such as [www.Uswitch.com's](www.Uswitch.com) broadband usage calculator can help you do this.
- If your broadband internet package offers 'unlimited' downloads per month, make sure you read the small print on the suppliers fair usage policy.

If you use broadband and home phone, the chances are you could save money by taking both services as a 'bundle' from the same supplier. You could even take a 'triple play' deal that builds digital TV into the offering. In fact, if you switch to getting broadband, home phone and digital TV from the same provider, you could save up to £261** a year.

Getting your broadband and phone from the same provider is also convenient - you get one bill and make one payment, so there's less to keep track of. With some providers, you can also get bundles that include digital TV, mobile phone and/or mobile broadband.

On the other hand, while a combined broadband and phone packages may be cheap, it may not offer exactly what you need from both your broadband and phone services. It might look like a good deal, but if the package doesn't meet your needs, you could end up paying more in the long run, so you might be better off getting your broadband and phone separately.

Watch out for bundles that include a home phone call plan, but no line rental. A headline grabbing price may not look so appealing once you've added the monthly line rental charge.

Car Insurance

If you drive, insurance is compulsory. Being loyal to your current insurer may be quicker and easier at renewal time, but shopping around could save you an average of £200** a year.

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Savings Accounts

Ensure that you place your cash savings in the most tax efficient area at the highest rate possible.

Depending on your personal circumstances, the most tax efficient way could be in a Cash Individual Savings Account (ISA). You can save up to £5,100 (for 2010/2011) per tax year without being taxed on the interest you earn. Check out the ISA rates available as you could earn more by transferring your ISA to another provider, rates do vary and it could make a difference.

Once you have used your ISA allowance for the year, look for a high interest savings account. There are some paying over 3%.

If you plan to invest a lump sum and do not require access there are many fixed rate savings products that may suit you, and give you a higher return than your current savings account.

Always ensure that you have 3-6 months worth of salary or income readily available to cover you for emergencies. This will also help avoid overspending on Credit Cards.

Clear Debt First

Paying down your debt with the above savings could potentially save hundreds, if not thousands of pounds in interest and put you on the road to being in control of your money and having financial freedom. Start paying down the loan with the highest interest rate first, stay disciplined and put a plan in place for clearing your debt. Short term pain, for long term gain, but always make sure that you have sufficient funds available and readily accessible for emergencies, as mentioned above.

Pensions

Some Pension plans, especially older ones, are potentially less competitive than modern policies. You may be financially better off by switching any existing pension plans to an alternative provider. Whilst any saving may not be immediately noticeable and relatively minor, over a 20-30 year period it could run into thousands of pounds of increased fund value and therefore retirement income. However, care should be taken not to inadvertently disturb or lose any specific advantage on benefit the old plan may have.

You could also make tax savings in the way that you contribute to a pension. For example, your employer may also allow Salary Sacrifice and pay in all or part of their National Contribution Saving. This could mean that for someone making a pension contribution of £80 net of tax, a full Salary Sacrifice with the employer adding the entire employers National insurance Contribution saving, could increase the gross contribution to £112.80 and save on personal National Insurance Contributions. Be aware though that it does reduce your salary and can affect State Benefits and your ability to borrow.

Also, by reviewing your existing pension schemes you may be able to benefit from the changes in the way you can withdraw your pension from age 55.

Life Assurance

If you have existing life assurance policies taken out when you were a smoker and have since given up smoking for the past 12 months or more, you could make a significant saving on your current life assurance premium.

Alternatively, rather than reducing your premium, you may be able to increase the life cover available under the policy for the same premium, hence making your beneficiaries standard of living more secure for the same cost.

- Or, subject to your current state of health, you may consider taking out two separate plans for you and your partner, as the cost per month can be similar to a joint plan, more tax friendly for Inheritance tax purpose (in trust) and you may double your overall sum assured.
- Or, you may consider using the monthly money saved to ensure that your current plans have payment protection cover, in case of accident, sickness or redundancy.
- Or, you may consider using the monthly money saved to set up separate plans to protect your current income in case of redundancy, serious illness etc, thus making sure that you will be financially more secure in the event of the worst happening.

Future Planning

Once you are in control of your finances, we suggest that you start to plan for your future with a structured financial plan, or review any plans that you have previously discussed with us. It's the money you save now that aims to provide you with the income and capital you'll use in 5,10,20 years time, and could potentially provide you with protection should you become ill or be made redundant.

Sources

* The telegraph 16th Feb 2011
** Uswitch.com and moneysupermarket.com 16th Feb 2011