

LET'S TALK FINANCIAL PLANNING

Police Mutual

June 2022

We all have different aspirations in life, for some people it's to travel the world and for others it's to own a sports car. As well as these long term big experiences, there are many other smaller ones along the way, including buying your first home, getting married and helping fund your child with University costs. In order to achieve these lifetime goals, big or small, you need to make the most of your money and the key to this is planning.

Future savings goals

It's important to get into the habit of saving and this will help if you have your end goals in mind. So step one is to think about your goals, both in the short and long term. Once you've decided on these aspirations, then set the timeframe for each of them.

It's then a good idea to then look at your finances to see how much you can afford to save. Work out what you already have, your monthly income, monthly outgoings and any large expenses you have coming up in the future. A monthly budget is a vital set towards financial fitness and the foundation of your action plan. Our [budget calculator](#) can help with this.

A few hours spent working out where your money is going could make a big difference in helping to reduce the chances of you going into your overdraft and maximising the amount you can save. The secret to success with sticking to a budget is to regularly give it attention. Understanding your income and outgoings can reduce your stress and help you maximise your savings. For more information, read our smart budgeting guide [here](#).

Ensure you also put some money aside for emergencies and are realistic when calculating how much you can afford to save.



With the current cost of living crisis, you may not have any money left at the end of the month to save. So, now is a good time to re-evaluate some of your current expenses, such as gym membership, paid TV services and mobile phone plans. If you haven't checked your outgoings recently, then it may be worth seeing where you could possibly save money, the following may help:

- **If you're looking to make savings** - check that you're not overpaying for your utilities and other bills, where can you make savings, for more information click [here](#).
- **Do you have debt?** - If you are struggling with debts, read our debt guide [here](#).
- **Look at your general insurance** - switching your home and motor insurance could save you money.
- **Review your mortgage** - speak to your mortgage provider or financial advisor.
- **For more details** on how to spend less, read our guide [here](#).

To give your savings the best chance to grow you need to spend some time finding the right home for them. This will depend on how long you have to reach your goal and how much risk you want to take. Over the short term you could consider a savings account or cash ISA which will allow you easy access to your money. For the medium and longer term think about a fixed-term savings product or an investment product which could provide protection from inflation over the longer term. If you are using a savings account, to make it simple, set up a standing order to move your savings across each month and then add to this if you have any spare money at the end of the month.

some time each month to review your income and expenses and see how much you have saved so far. If your savings aren't quite where you want them to be, don't be discouraged, have another look at your budget and where possible adjust your targets accordingly.

If you already have expensive debts, like credit cards, consider paying these off before you start saving, as the interest you pay on borrowed money is often higher than the interest you get on a savings account.

Don't be put off saving if you can currently only afford a small amount, putting a little away regularly is a good way to save as it soon adds up and this will get you into the habit of saving.

Many of your goals will be long term ones, like saving to help your children pay for University fees and preparing for retirement. The sooner you start to invest, the longer you'll have for your money to grow.

Planning for your retirement means making plans for your money too. A major life event like getting close to retirement, gives you the perfect opportunity to review your debts, major upcoming expenses and to maximise your investment options. Take a look at our retirement centre to help plan for your retirement by clicking [here](#).

Don't forget to also plan for regular events like Christmas, holidays and birthdays.



Wills

With a little bit of planning now, you can make it easier (and hopefully less expensive) for your loved ones to sort out your affairs after your death. It's not a nice thing to think about, but it's good to get it all sorted out sooner rather than later.

If you don't already have one, write a Will, if you have already got one, then make sure it's up to date. It's also a good idea to review your Inheritance tax situation regularly to see if you can reduce the amount to be paid from your estate when you die.

Without a Will, the Government decides how your estate should be distributed, with no regard for your wishes. A Will ensures your Estate goes to the people you want it to.

There are several other things you can do in a Will:

- Appoint guardians for any children you have under 18 (under 16 in Scotland); if you don't do this, the State will.
- Set up trusts and other arrangements to keep any inheritance tax bill on your Estate to a minimum.
- Leave details of the kind of funeral you want.
- Leave details about what you want to happen to your pets.

- Say what should happen to your digital assets (such as social media, email and other online accounts).
- Name the executors of your Will. These are the people who ensure the instructions in your Will are carried out when you die.
- Make gifts to charity.

If you die without a valid Will, the intestacy rules apply. These set out who is entitled to inherit from your Estate if you don't leave a legally valid will. Click [here](#) for more details.

All adults should have a Will but it's particularly important once you own property, have children, start a business or have savings and investments.

It's recommended that you use a solicitor to write your Will.

Using a Solicitor will ensure all the legal formalities are followed and they will be able to help ensure your Will is as tax-efficient as possible.

Before you see a solicitor it could save you some time if you can answer the following questions:

- What do I own?
- What do I owe?
- Who gets what?
- Is there anyone who depends on me that may question my wishes?
- Do I need to choose guardians for my children (under 18 years)?
- Do I have any other wishes such as funeral arrangements?
- Who do I want to be my executors?

You should review your Will every five years and if:

- You have a baby
- You get divorced
- Your partner dies
- Your children have children of their own
- You move house
- You experience any other big changes in your life

Whatever your circumstances, you should make a Will and if you have unusual circumstances or special requests, the law may not always recognise them, so it's important you discuss them with your solicitor. It's important to keep your Will safe and to tell your executors where it is.

Where to find out more

[Find a solicitor in England and Wales](#)

[Find a solicitor in Scotland](#)

Inheritance Tax

Inheritance tax (IHT) is tax paid after you die if the total of your estate exceeds a certain threshold. It is also sometimes payable on gifts you made to others during your lifetime.

The current IHT threshold is changeable with budget announcements. Check the current IHT amounts [here](#) on the HM Revenue & Customs website.

The things that can count towards your state for IHT purposes, includes the following minus any debts or liabilities:

- Your home and other property.
- Savings and investments.
- Insurance and pension policies.
- Payments from a pension plan or employee death benefit (unless written in trust).
- Other assets like cars, art, jewellery, furniture etc.
- Gifts you have made but still benefit from eg. a house you have given away but still live in.
- Certain gifts you have made in the last seven years.
- Assets held in trust from which you receive a personal benefit.
- Your share of any assets held jointly.

Reducing the Inheritance Tax payable on your estate

What can you do to ease the tax burden on those you leave behind?

- Make a Will - a solicitor will be able to help you make yours as tax-efficient as possible.
- Look into exemptions - for example how moving assets between spouses/civil partners or leaving money to charity could help.
- Use your gift allowances - if you can afford to give away some of your assets, you may want to consider doing this within the amounts allowed. Find out more about the current gift allowances [here](#).
- Consider using financial planning tools like life assurance and trusts to reduce your IHT liability.





Powers of Attorney

Regardless of your age, you can benefit from having a power of attorney (POA). If your health failed suddenly or you had a serious accident and were unable to make decisions, having a POA in place would help your relatives immensely at a difficult time. If you don't have a POA in place and you lose the ability to make your own decisions, your family or friends would need to go to court to get authority to make decisions on your behalf. This can be a costly, complicated and time consuming process. It is easier if you have already set up a POA that can be used.

In England and Wales there are two main types of POA:

- a property and financial affairs Lasting Power of Attorney (LPA)
- a health and care Lasting Power of Attorney.

Paying for your Funeral

There are several ways you can pay for your funeral, you could use basic life assurance, a savings account or a specific funeral plan or an over 50s plan.

Funeral plans and funeral insurance are two different ways of paying for part of a funeral in advance. So, when you die, your family will have less financial responsibility.

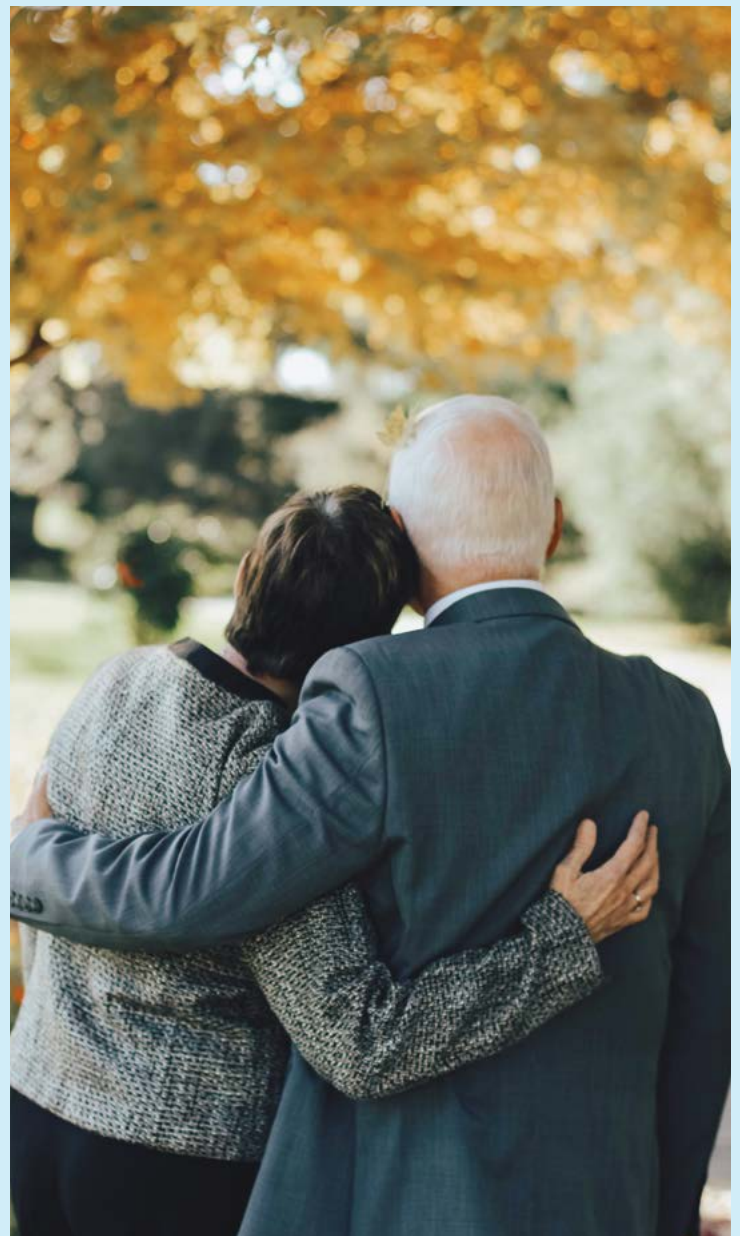
With a funeral plan, you arrange and pay for it in advance, either as a lump sum or by installments. So your relatives don't have to cover the full cost themselves. The plan won't usually cover everything that is needed for a funeral, you will need to check with the plan to see what is covered.

You can arrange a funeral plan for your own funeral or for someone else's, as long as the funeral will be held in the UK.

Funeral insurance policies are also known as 'over 50s plans'. Over-50s' plans are an insurance policy that will pay out a fixed sum towards the cost of a funeral when you die. They don't require medical underwriting, so poor health makes no difference to your pay-out.

Using the links below, you can find more general information about funerals:

- for England and Wales - visit [GOV.UK](https://www.gov.uk)
- for Northern Ireland - [visit nidirect](https://www.nidirect.gov.uk)
- for Scotland - visit the [Scottish Government website](https://www.scottishgovernment.gov.uk)



A property and financial affairs LPA covers all aspects of someone's financial wellbeing. So may include paying of bills, managing bank accounts or even selling property. They can be set up for a set period of time or for once you're no longer able to make decisions yourself.

With a health and care LPA decisions are concerning how you will be cared for. This could include anything from where you live, how you are cared for and the type of treatment given. A health and care LPA only takes effect once you're no longer able to make decisions yourself.

You must have mental capacity at the time you set up the LPA and, to make sure no-one has forced you into signing an LPA, when you complete the forms you will appoint a person to be a certificate provider.



This is someone who confirms you know what you're signing and understand the powers it will give your attorneys.

In Scotland there are three main types of POA. These are:

- **Continuing POA** which allows your attorneys to make decisions for you about your money and/or property.
- **Welfare POA** which covers your health or personal welfare.
- **Combined POA** which enables your attorneys to make both financial and welfare decisions for you.

Where to find out more - England and Wales

You can find out more about LPAs at:
[GOV.UK Power of Attorney](https://www.gov.uk/power-of-attorney)

Where to find out more - Scotland

You can find out more about POAs at:
[Office of the Public Guardian Scotland mygov.scot](https://www.mygov.scot)

Police Mutual Services

Worrying about money can be extremely stressful and may lead to mental health conditions. Police Mutual are here to help. We want to break down the stigma surrounding debt and get people talking about money. We've teamed up with **PayPlan***, one of the UK's leading free debt advice providers, who offer free and confidential advice to anyone in serious financial difficulties. They're able to advise you on a range of debt solutions suited to your individual circumstances, helping to protect you and your family with a sustainable way to manage your debt. Get free and confidential help to combat your debt, call **PayPlan*** on **0800 197 8433**.

For more information about the products and services available from Police Mutual:

Call us 01543 441630
Visit [policemutual.co.uk](https://www.policemutual.co.uk)

We're open from
9am - 5pm Mon - Fri

*PayPlan is a trading name of Totemic Limited. Totemic Limited is a limited company registered in England, Company Number: 2789854. Registered Office: Kempton House, Dysart Road, PO Box 9562, Grantham, NG31 0EA. Totemic Limited is authorised and regulated by the Financial Conduct Authority. Financial Conduct Authority Number: 681263.

Police Mutual is a trading style of The Royal London Mutual Insurance Society Limited. The Royal London Mutual Insurance Society Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The firm is on the Financial Services Register, registration number 117672. Registered in England and Wales number 99064. Registered office: 55 Gracechurch Street, London, EC3V 0RL. For your security all calls are recorded and may be monitored.

Police
Mutual