

Top tips to manage your finances through the current crisis



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This guide is produced with the intention of:

- **Helping individuals understand what options are available to them to ensure cash-flow**
- **Providing resources to individuals to evaluate their expenditure**
- **Highlight the various options of saving and accessing money during uncertain times**
- **Giving you access to our Advice Team to discuss your position**

Introduction

Working your way through the difficulties brought on by the current health and economic conditions is going to require great care and, in many cases, significant skill.

Penguin is here to help you. We outline at the end of this document more about how we can help, including how to access our remote service.

Reviewing Income/Expenditure

Income

In terms of income, this is likely to be dependent on your employment status.

For example, if you are Self-Employed or run your own company, then you may want to look at ways of managing your cash flow to pay yourself.

You should consider the following:

- The help being offered by the Government in the form of grants, loans, relief from certain taxes and time to pay arrangements;
- Whether you can put money into your business from your own sources;
- Whether there are other options to keep your income flowing (things you can do within your business to cater for the changing circumstances)

If you are an employee working for someone else, then you may find protecting your income more difficult – as you will be at the hands of that employer’s ability to keep paying you.

However, many of the points raised below throughout this guide may help you.

Expenditure

Regardless of your employment position, everyone normally has some control over their expenditure, and this is an area where major changes can often be implemented:

- Start by constructing an income and expenditure assessment;
- Review this to see where changes could be made to discretionary spending - memberships and clubs are examples;
- Look at any cost which could be reduced by ‘shopping around’ e.g. insurances, leases etc.;
- Look carefully at the new measures introduced by Government (e.g. Mortgage holidays);
- Check your Mortgage – see below;
- Check the cost and payments in respect of any borrowings (loans/credit cards etc.) – see below;
- Push hard to bring your spending down.

Top tip: The income/expenditure assessment is the most important aspect because this can identify where you may be able to make a difference.

Download your free Expenditure form from the ‘Personal’ section on our website.

www.penguinwealth.com

Borrowings

It could be that to work through this difficult period you have to seek new borrowing. If so, please be very careful to explore all options. There are likely to be more options than you realise.

As a result of the reaction to this crisis, interest rates – in terms of the official base rate – have been flattened, virtually to zero, which means Mortgage costs will now be at their lowest ever levels.

This has several consequences you need to consider:

- You may be able to reduce your Mortgage costs by finding a new deal, either with your existing lender or even a new lender;
- The difference in rates between a Mortgage and a credit card will make borrowing via the Mortgage even cheaper;
- This is likely to be the same with personal loans, a Mortgage will be much cheaper;
- Exploring a restructure of your debts could be one of the best ways of significantly reducing your outgoings;
- Or a possibility of raising much needed cash during this difficult period.

For example, if you have £10,000 on credit cards, you may be paying £120 per month every month as a minimum payment, on a typical credit card deal. A common interest rate level is around 17%, which makes the borrowing cost £1,700 per year, so your debt is not falling, it may even be rising.

If you transfer this to your Mortgage, the monthly payment will depend on your Mortgage deal but could easily be lower than £50 per month and you are incurring a fraction of the overall cost.

It's good for the short-term position, and very good for the long-term one. Consolidate everything you can into a Mortgage, the rates are now so low (including fixed rates) you must save money compared to other options. Let us help you if you need to negotiate with a Mortgage lender.

Top tip: Look at and review how you can restructure your debts, moving to the cheapest overall position you can find. If you give us the details of your existing debt position and your goals, we will be able to make suitable recommendations and calculate the best overall package for you.

Watch our video on the importance on restructuring and consolidating your debts via the link below.

shorturl.at/lpyDU

Pensions

For many people they may start looking to their Pensions to help bridge cash requirements. The situation here is complex, as there are many rules around Pensions that need to be factored in. And the rules are different for those under age 55 as opposed to those over 55.

Under age 55

Once you reach age 55 you can access Pension Freedom – before then you cannot use your Pension.

However, there are a couple of exceptions and ideas:

1. If you are close to age 55, you could look at borrowing funds for a year or two with the intention of using your Pension, when it does become available, to repay the loan. For example, if you are 53 and have £100,000 in a Pension fund you might borrow £25,000 now and then use the tax-free cash sum from your Pension to repay this in a couple of years. That is not accessing your Pension now, but it is using it as part of strategic approach.
2. If you are in business on your own account, there may be ways of using the Pension within your business to get cash into the Business. This is a narrow and complex area, please contact us to find out more and see if this can be made to work for you.

Otherwise if you are under 55 then the most important thing to do is review your Pension, to see how the recent market falls have affected it, how this may change your retirement plans and what steps you may need to protect its value or get your plans back on course.

We have a Pension review service you can use to do this.

Age 55+

If you are age 55 or older you can freely access your Pension. This may be useful to help with current cash and income requirements.

There is one very important word of warning though: ***if you withdraw funds from your Pension you may (almost certainly will) restrict your ability to make future contributions back into your Pension.***

You should therefore act with caution, as the short-term benefit could have negative longer-term implications.

If you do want to withdraw funds from your Pension, then you need to consider the following:

- How do you cash in the Pension, in part or in full? If you just want a proportion of your Pension, which funds do you sell out of?
- How do you minimise tax payable? (Note we go into a new tax year on 6th April – this could have major tax implications on withdrawals)
- Do you take the funds as ‘tax-free cash’ or as income (which is taxable)?
- Or if a bit of both - how do you structure this?
- How quickly in this situation can any instruction be activated?

As before, taking advice and getting support could make all the difference.

All ages

This could be a great moment to look **at Pension consolidation**. This is when you bring together past Pensions putting them into one. Many people have several Pensions, possibly because of different jobs, and there can be advantages to tidy these into one new plan.

To calculate if this is beneficial in your case, you need to look at charges, the funds, the risk position and see how the position compares to leaving them where they are today as opposed to bringing them together.

You need to take into account your strategy and also think of the administration benefit of just having everything under one roof.

Finally, you may need to take stock and completely **review your strategy** and position, not just in relation to the short-term impact but also how the current crisis impacts your long-term planning.

Top tip: Take specialist advice before you make any decision about your Pension

Savings and Investments

The change in the current economic position has profound implications:

- Interest rates have reached their lowest ever levels, this means that returns on savings accounts will now be negligible;
- Investment markets – shares and commodities have seen large falls;
- Prospects for companies are uncertain (at best);
- The risk of default on corporate bonds has increased;
- The property market is also now beset by uncertainty.

In other words, everything has changed, virtually overnight.

Don't panic

Despite this it is very unlikely that the staple advice of holding firm (in respect of Investments) and not panic-selling has changed.

Markets have come through some enormous challenges before and prices tend to recover. Every time there is a new crisis, many people will claim “it's different this time” but that never seems to be the case.

However, it is the case that the position is markedly different today than it was at the beginning of the year.

This means taking stock and review existing Investments, holdings, funds and the strategy applied, is very important.

Reviews

Looking at your position considering this new backdrop requires using the reliable methods of Financial Planning.

It is easy to assume that when something changes, as dramatically as day to day life has just changed, that the normal way of working things out will also change.

But this is not the case, in respect of your Savings and Investments they should be treated in the same way with the same considerations as before driving your decisions.

Cashing in Savings or Investments – avoid a knee-jerk reaction

If you are in the position of having to raise some extra monies, then before you cash anything in, check to see if there are alternatives (for example with your Mortgage).

If you are left with no option but to turn to your Savings/Investments, then you should:

- Factor in tax allowances and wherever possible try and keep favourable Tax schemes intact;
- Consider which of your accounts, funds or holdings make most sense to draw upon;
- Think long-term as well as short-term when you make any decision.

We are here to advise and help you in these matters. You may well be surprised by exactly what can be achieved in many situations and the options you have available.

In terms of your ongoing strategy, this could not be a better time to have a fresh look at this, again we are on hand to help with such a review.

Top tip: Avoid knee-jerk reactions

A change in lifestyle

The considerable change in how we are all going to be managing from day to day, which for many includes what seems to be a protracted period of being at home, leads to the idea that we will have time to do those things we don't normally get around to.

This provides an opportunity to review and sort:

- **Wills** – everyone should have a Will. There is virtually no exception. Yet, less than 50% of people do you have Wills. We can help you if you would like to take this opportunity to get a Will sorted. We can do so remotely, so we can discuss and arrange over the phone and through email/post.
- **Lasting Power of Attorneys (LPAs)** – families should be exploring how to put in place LPAs, those legal documents which dictate what happens should someone become incapacitated. In these situations, when this does occur, time and time again relatives get caught short by how difficult

it is to manage a loved one's affairs if an LPA is NOT in place. It is such a simple process and document to sort – and protects everyone's interests.

- **Trusts** – The use of a Trust when organising or reorganising your finances could be a powerful mechanism to protect your assets; for example, a life assurance policy in Trust can protect against the pay-out being subject to a claim from creditors and can help with a speedy payment to Beneficiaries, as it will not be subject to probate.
- **Past Pensions** – as mentioned above under the section 'Pensions' – consolidating older Pension schemes, currently scattered around, into one new home can have major benefits.
- **General Financial Planning reviews** – now could be the ideal time to work on a complete review of your financial position and to engage in a Financial Planning exercise.

Download your free copy of our Trust Guide from the link below.

shorturl.at/oruRW

Watch our Trust video via the link below.

shorturl.at/hlF36

At Penguin we have been structured to help you with a remote service for some time, but in recent weeks we have been extending this and developing this much further.

This means we can arrange meetings and conduct all business over the phone, Zoom, FaceTime, Skype, email and post. That service is not diluted in any way, it remains as comprehensive and personal as it was before when most of the advice/help/service was provided face to face.

Top tip: Use the time and space this new situation creates to sort out those jobs you 'haven't got around to' previously.

What does the law say about furlough?

Any UK business can apply for up to 80% of wages for furloughed staff to be paid.

Full time, part time, flexible working and zero hours contract staff are covered, and your business needs to have started a PAYE payroll scheme on or before 28 February 2020 and have a UK bank account.

If you have made staff redundant since the 19th of March, you can rehire them and they will be covered in the scheme.

To be eligible, staff members must not undertake any work for your firm while they are on furlough.

Contact Us

Penguin Wealth Planners Ltd.

2 Raleigh Walk
Brigantine Place
Cardiff
CF10 4LN

Penguin Legal & Penguin Tax Planning

2 Raleigh Walk
Brigantine Place
Cardiff
CF10 4LN

Cowbridge Office

5 Willow Walk
Cowbridge
Vale of Glamorgan
CF71 7EE

Book your no obligation 15-minute Self-Audit call with a member of our Advice Team. If you're worried about your money Penguin can help you make smarter financial decisions.

T: 02920 450 143 | **E:** info@penguinwealth.com | **W:** www.penguinwealth.com

About Us

At Penguin we believe that life is for living! You only get one chance to make your mark and to do all the things you are passionate about. Our task is to help you understand if you have everything organised and in place to do what you want, in the time that you have!

Our principles are reflected by the processes, the support team and the accreditations that we have achieved – all of which ensure we are best placed to help you live the life you deserve. And to make sure your Financial Planning is powerfully linked to your lifestyle goals, both now and into the future.

