



5 tips for rethinking your financial future

The financial impact of the Covid-19 crisis, and the uncertainty it has created, has led many of us into thinking about taking greater control of our money.

Your financial plans may have been shaken, even if you felt prepared for the unexpected. Here, we look at five ways to rethink your finances as you approach retirement.

1. Look at your income options

You may have been furloughed, faced a salary cut, or lost your job entirely during the crisis. Meanwhile, any income stream from dividends may have ground to a halt, leaving you unable to boost any salary loss through your current investments.

However, there may be other ways to produce an income. For example, renting out a spare room can provide an income stream. You can earn up to £7,500 per year under the Rent a Room scheme, tax-free. Alternatively, there may be other ways to boost your income through freelance or part-time work, for example, into retirement.

There are undoubtedly challenges in the current climate for those facing an income cut. Yet there may be opportunities that a financial adviser could also help you to explore as part of a new income-seeking investment approach.

2. Rethink future spending

The impact of the Covid-19 pandemic has underlined the importance of having a source of easily accessible savings. Meanwhile, lockdown has shown that we can do without some of life's luxuries, such as shopping sprees and your gym membership.

It's generally considered sensible to have a savings pot worth around six months' income set aside. But you may want a bigger cash cushion to safeguard against any uncertainty ahead, depending on your situation. If possible, remain disciplined and keep spending wisely until you've enough cash set aside to feel financially secure. You could set up a direct debit, for example, to send 5% of your monthly income into a savings pot. There are also plenty of online budgeting planners that can help you to minimise spending and maximise savings, such as [this one](#) from the Money Advice Service.

3. Maximise tax allowances

We each have a myriad of tax allowances to take advantage of. Yet while you may be using your ISA allowance (£20,000 in the 2020/21 tax year), for example, there are other ways to benefit from your tax allowances.

If you are married or in a civil partnership, there may be opportunities to transfer assets between each other to maximise tax allowances. Assets can be transferred to your partner so that both your annual capital gains tax (CGT) allowances (amounting to £12,300 in the 2020/21 tax year) are used. This effectively doubles the CGT allowance as a couple.

4. Factor in changing circumstances

The crisis may have caused you to re-evaluate your priorities, and retirement plans. You may decide against moving abroad, for example, wish to start your own business or even study later in life.

Any major changes will inevitably have consequences for every aspect of your life and any financial plan needs to reflect these. Seeking advice from a financial adviser can help to reassess where you stand if your plans have shifted or been forced to change.

5. Reassess your appetite for risk

The crisis may have prompted you to consider whether you are still comfortable with the level of risk in your investments, particularly as you approach retirement.

Alternatively, you may have experienced the ups and downs of markets through events like the dotcom bubble and the Iraq War, and see it as a good time to pick up assets at a lower value if you plan to invest well into retirement.

However, beware of making any major decisions alone, without guidance. You may want to seek reassurance from a financial adviser to ensure your plan is on the right track.

The value of investments and any income from them can fall and you may get back less than you invested. Past performance is not a guide to future performance.

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