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INSURANCE


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Private healthcare options are on the rise as more people are looking at alternatives to the NHS through personal or workplace provision.

Protection and insurance products can provide access to some primary healthcare options, such as GP and dental services, and often contribute towards the cost.

There are significant differences between providers and products in price, coverage and exclusions, although none replicates the range of services available via the NHS. Understanding the detail of each policy is key to finding the right option.

- **Cash plan policies:** Pay out a fixed contribution towards routine healthcare costs, such as dental and optician fees.
- **Income protection:** An insurance policy that pays a fixed monthly income if you are signed off work through ill health. It can ensure essential bills are paid during a period of illness.
- **Critical illness:** Pays a lump sum on the diagnosis of one of the serious illnesses listed on the insurance policy. The conditions will include most cancers, heart disease and stroke.
- **Private medical insurance:** Typically covers the cost of private diagnostic tests, consultations and hospital treatment. Emergency cover is not included, nor is treatment for existing or ongoing problems such as asthma and diabetes, nor pregnancy-related complications.

> *Additional services can include virtual GP services, mindfulness apps and online counseling, plus information on lifestyle issues - for example diet, smoking or exercise.*

Many of these products now also offer a range of additional services, often at no extra cost. This can include virtual GP services, mindfulness apps and online counselling, plus information on lifestyle issues – for example diet, smoking or exercise.

While these products can of course be bought individually, employers are increasingly offering some form of health benefit to their staff to improve staff retention and reduce long-term sickness absence.

If you need to access health insurance at any point, or are looking to improve your health, it is worth checking what benefits may be available through your workplace, including access to healthy lifestyle services.

RETIREMENT

Costs of living in retirement increase

Savers need to build up more funds to secure a decent standard of living in retirement.

An independent pensions body has updated its calculations on how much money people need to fund a basic, moderate or comfortable lifestyle in retirement. Rising food and energy costs, plus the fact more people want to socialise with family and friends post pandemic, has pushed up the cost of a 'moderate' retirement by £8,000, to £31,300 a year – with couples looking at a combined cost of £43,100 a year.

As the name suggests, this is not funding a life of luxury. The Pensions and Lifetime Savings Association (PLSA) says this covers one week-long holiday in Europe each year, running a small car and modest amounts for socialising, alongside essential bills.

Moderate retirement costs increase most

The costs of 'minimum' and 'comfortable' lifestyles have also increased – although not by as much in percentage terms. The PLSA estimates an individual needs £14,400 a year to fund a basic lifestyle and £43,100 for a more 'comfortable' retirement.

These are estimates, and individuals' spending requirements will vary. But the numbers can be useful as part of a wider pension planning process. Remember, not all this cost needs to be met by private pensions, as from April this year those qualifying for the full state pension will get £11,502 a year, although that alone is not enough to meet basic living requirements according to these calculations.


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INVESTMENT

Coming down: the year of interest rate cuts?

Interest rates have risen for two years straight, but the outlook indicates a change of direction in 2024.

The Bank of England raised its bank rate at fourteen consecutive meetings between December 2021 and August 2023, taking it from 0.10% to 5.25%. There is now an expectation, not disputed by the Bank's Governor, that the next move will be downwards. The pattern of rise-and-stall has been mirrored by two other major central banks: the US Federal Reserve and the European Central Bank (ECB).

Markets anticipate cuts

The yields on 10-year government bonds have fallen since last autumn in the UK, US and Europe and the knock-on effects are visible in the UK mortgage market, where new, fixed-term rates have started to drop. NS&I has also reacted, making a range of rate cuts, including 0.25% off the Premium Bond prize rate.

If you have been holding cash deposits, either directly or via money market funds, you should have benefited from the rise in rates. However, unless your deposits were earning on average within 0.7% of bank rate net, they will have lagged behind inflation. In fact, in the last 15 years it has been rare for the bank rate to be higher than the CPI inflation rate. That devaluation, combined with the likely fall in rates, means that the amount of cash you hold on deposit needs a review. Talk to us about your options now: deposits may be less attractive once the rates begin their descent.

✢ *Investments do not offer the same level of capital security as deposit accounts. Investing in shares should be regarded as a long-term investment and should fit with your overall attitude to risk and financial circumstances.*

The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested.

Past performance is not a reliable indicator of future performance.

INVESTMENT

The renewed case for ISAs

Improved terms, together with the erosion of tax allowances elsewhere, are making ISAs a favourable option for the new tax year.

Since their launch, successive Chancellors have made revisions to Individual Savings Accounts (ISAs). Before his Budget proposal of an extra £5,000 for a new 'UK ISA', the current Chancellor made arguably his biggest hitting pro-ISA changes in the Autumn Statement 2022:

- Halving the dividend allowance to £1,000 for 2023/24 and again to £500 for 2024/25.
- The capital gains tax (CGT) annual exempt amount was cut from £12,300 to £6,000 for 2023/24, then to £3,000 for 2024/25.
- Almost £25,000 was cut from the additional rate threshold leaving many more taxpayers with a zero personal savings allowance (PSA) from 2023/24.

The dramatic reductions in the dividend allowance and the CGT annual exempt amount alone mean that you could be paying up to £2,450 more tax on the returns from your investments in 2024/25 than 2022/23. Even a basic rate taxpayer could be over £1,050 worse off. ISAs offer a way to sidestep these tax increases. A reminder:

- Dividend income within an ISA is free of UK income tax, although withholding tax may apply to foreign dividends.
- Interest from deposits or fixed interest securities is also free of UK income tax.
- Gains on investments held within ISAs are free of CGT.
- There is nothing to report regarding ISAs on your tax return.

As we move into a new tax year, now is the time to consider your ISA contributions for 2024/25 and review the investment holdings in existing ISAs to maximise those potential tax savings.

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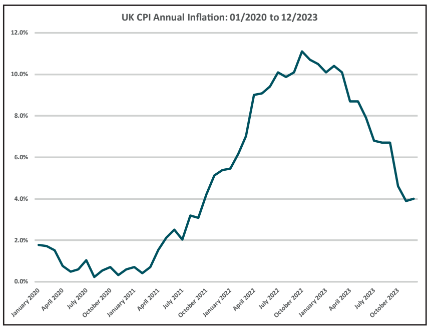
The Financial Conduct Authority does not regulate tax advice. Tax treatment varies according to individual circumstances and is subject to change.

INVESTMENT

Don't discount inflation

Despite slowing down considerably, inflation has not gone away yet



The fact that annual price rises have dropped to under half their October 2022 11.1% peak does not mean you can now ignore inflation's impact. As some of those who grew up in the 2010–2020 era of low inflation are now realising, a falling inflation rate (disinflation) is not the same as a general falling in prices (deflation). Prices are still rising, albeit at a slower rate.

In three years since the start of 2021, inflation added over a fifth to average prices, only 2.2% less than the increase across the entire decade from 2010. You could now need to review your financial plans if they are more than a couple of years old. The level of life and health cover that looked more than adequate in 2020 may no longer be enough. Similarly, the pension pot that looked sufficient for a comfortable retirement may now be at the just-getting-by level.