Investment Solutions

Want to be better off by next year?

You may not be able to follow all our 14 steps, but if you heed some of them, you should be better off.

These are some of the top tips:

1. Reviewing your spending

Jan Kinghorn, Senior Adviser at Investment Solutions says:

“Pull out 12 months of bank statements and see if there any patterns you don’t understand, or direct debits you should have cancelled. Unused gym memberships are a classic waste of money. Jan suggests that, whilst checking your statements, assess if you can get a better deal from your utility suppliers.

2. Get organised

Rafa Garcia-Hernandez, Senior Paraplanner recommends:

“Label a box “Next Year’s Records” and put in in your office. Use this as the place where you put everything that has anything to do with your tax and finances, including bank statements, receipts for expenses, pension contribution records and charity donations. It will be a massive help when it comes to completing your tax return”.

3. Set some goals

Karen Barrett, the Chief Executive of Unbiased.co.uk, a site which helps find financial advisers, says:

“My number one tip would be to outline your financial goals, such as reducing debt, or using up your tax allowances. Being proactive with your finances can pay dividends, literally, and regularly reviewing all of your finances is a good habit to get”

4. Clear your debts

Interest paid on credit cards is dead money and often expensive, so it makes sense to eliminate these debts, which can carry double-figure interest rates, before putting money into savings, where you typically earn interest of less than 1%. Moneyfacts, a comparison website, state that, based on today’s average APR of 21.8%, it would take a borrower making fixed repayments of £100 per month 3.5 years to pay off a credit card debt of £3,000. It would also cost them £1,183 in interest. “By opting instead for the best 0% interest balance-transfer deal, borrowers could save £1,105 in repayments. This ensures that their balance is repaid in full before the introductory deal ends.

5. Check your Credit Rating

If you are looking to buy a property in the next 12 months, check your credit rating, says Angus Willson, Mortgage Adviser at Investment Solutions:

“We all presume our credit rating is fine, but that is not always the case. You can easily check this on line at Experian.co.uk, or Noddle.co.uk. Angus says “Preparation is key in the mortgage market, so gather all the documentation you will need to support an application”.

6. Get the best Loan

Angus Willson warned that historically low interest rates could be disguising the fact that you are paying more than you need to on your home loan. Angus points out that someone with a £200,000 mortgage who is on the average standard variable rate of 4.81% could save £2,926 in one year, by moving to a deal charging, say, a 2-year fixed rate of 2.56%.

7. Pay into a Pension

"Contributing to a pension can reduce your income tax liability and take you below the higher-rate threshold", says David Connor, Director of Investment Solutions. His second tip is to maximise your contributions this year by carrying forward unused contributions from previous years. If you don't have any spare cash for your pension, David says it can pay to take money from an ISA and use it to make a contribution, so you benefit from up-front tax relief at your highest marginal rate.

8. Be cautious in retirement

If you are drawing income from a pension pot, check that you are not taking out too much and risk running out of money. Take out no more than the annual yield on your portfolio. If you have a collection of pension pots it is a good idea to consolidate them to make them easier to manage.

9. Make a Will

If you have a pension pot, or indeed other investments, Alison Lane, Senior Financial Adviser says that you should not forget to nominate who will be the beneficiary in the event of your death. She says "If you do forget and the person who eventually receives the pension pot is not a dependent, it may be that it can only be paid out as a lump sum, not as a regular income".

10. Use your ISA Allowance effectively

If you haven't made use of your ISA allowance, we would certainly recommend that you do so. At Investment Solutions we operate a Best Advice List of funds, suitable for all ages, risk profiles, growth or income orientated.

11. Maximise Tax Breaks

Ivan Lyons, Director of Investment Solutions says that if you have investments outside an ISA, it might be worth selling some and using the proceeds to invest in one. This way, you gradually shelter more of your investments from tax. It is also worth dividing investments between spouses to minimise the amount of tax payable.

12. Don't forget the CGT Allowance

Ivan says "This £11,300 Allowance helps to ensure that a portfolio of holdings outside an ISA or SIPP is not "pregnant" with gains at this time helps you to access the capital in future". In addition, he recommends that you review any old Investment Bonds which may have high charges and a poor performance record.

13. Switch Savings Account

Make sure your savings are not languishing in poor-paying accounts. Moneyfacts calculates that a saver with £10,000 in an account paying 0.5% would receive only £50.11 in annual interest. By moving to the best 1-year Fixed Rate Bond, the same saver would earn £192.68 – almost 4 times as much!

14. Maximise your Personal Allowance

Savers should make use of the Personal Savings Allowance. It allows basic-rate tax payers to earn £1,000 of interest annually before paying any tax.

For independent financial planning advice, please do not hesitate to contact us on:

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