

December 2022



10 new year resolutions that could **boost** your financial wellbeing

At the start of a new year, it's common to reflect on what you want to achieve over the next 12 months, and to set out some goals.

According to a [YouGov](#) poll, around 1 in 6 Brits make a new year resolution. While improving fitness and doing more exercise in the year ahead is the top goal, improving finances is also common.

Across Britons that were setting a new year resolution at the start of 2022:

- 39% said they wanted to save more money
- 19% hoped to pursue a career ambition, which could increase income and financial security.

Improving financial wellbeing could support other goals too, such as taking up a new hobby (15%), decorating or renovating part of their home (14%), or raising money for charity (5%).

So, if you want to take positive steps to improve your financial wellbeing, here are 10 new year resolutions that could help.



1. Set out what you want to achieve this year and beyond

While putting more money into your savings account is often a good idea, knowing what you want to achieve can mean you make decisions that are right for you and provide the motivation you need.

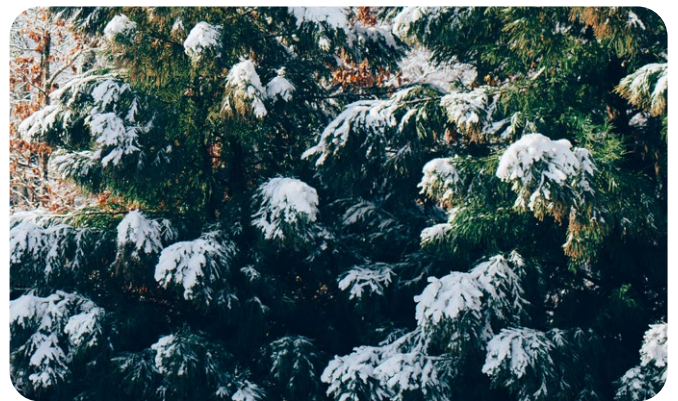
It's normal to think about what you want to achieve in the next 12 months at new year but setting larger financial goals can make sense too. The financial decisions you make now could affect your wellbeing for decades to come.

Starting with your goals means you can understand which choices are right for you. For instance, knowing what you're saving for can help you choose the right type of account – does it need to be easily accessible or could it be locked away for two years to access a higher interest rate?

As well as setting out your financial goals, think about the lifestyle you want.

Would putting a bit of money away each month mean you can plan a holiday to a dream destination? Or will adding to your pension mean you can retire early and enjoy the next chapter of your life?

Focusing on how the financial steps you're taking will improve your life can help you stay on track.



2. Go through your budget and keep track during the year

While reviewing your budget can be a tedious task, it's a worthwhile one.

It can help you understand your expenses, disposable income, and where you could make better decisions that would help you to achieve your goals. As inflation has been high this year, your outgoings may have changed significantly since you last reviewed your budget.

Writing down your regular expenses could highlight where you could make savings. From cutting out services that you no longer use to reducing your spending in some areas, it can help your money to go further.

Getting into the habit of tracking your spending can be useful too. It means you're less likely to overspend or forget to move money to your savings account.



3. Create a plan for paying off debt

If you have debt, regularly reviewing it is important. It can make borrowing more affordable and will keep you on track to pay it off.

Your first step should be to take stock of your existing debt, from credit cards to personal loans. Take some time to look at what interest rate you're paying, and if you currently benefit from an introductory offer, make a note of when it will end.

To combat high inflation, the Bank of England (BoE) has increased its base interest rate. As a result, borrowing is becoming less affordable, and it's more important that you search for a competitive deal that makes sense for you.

In some cases, transferring to another provider could save you money.

For example, if you have a credit card, are there any lenders offering a 0% balance transfer that you could take advantage of? As you won't be paying interest it means you could reduce the debt quicker, but you should carefully note when the deal ends and the interest rate you'd be paying after this period.

As well as looking at the interest rate you're paying, set out how you'll reduce the amount of debt you have overall. It could improve your long-term financial security.

Breaking down your goal into smaller, realistic targets can be useful. For instance, how much do you want to reduce debt by each month? What's your target by the end of 2023?

Making just the minimum repayments will mean it takes you longer to clear the debt and will often cost you more in interest overall. So, if you can, overpaying is often sensible.

If you're thinking about applying for credit or transferring existing borrowing, make sure you understand the lender's criteria before applying. An application will usually involve a hard credit check, which will show up on your credit report. Several checks close together could harm your credit score and act as a red flag for other lenders.

4. Review your current mortgage deal

A mortgage is often the largest loan you'll take out, so it's worth dedicating particular attention to, even if you're reviewing other forms of borrowing.

Once your existing mortgage deal ends, you will often be moved on to your lender's standard variable rate (SVR). While this can provide you with the flexibility to make overpayments, the interest rate usually isn't competitive. So, knowing when your deal will end and what your other options are is important.

Again, rising interest rates will affect how much your mortgage costs.

If you have a tracker- or variable-rate mortgage, the interest rate you pay, and so your repayments, may change during the term. If you have a fixed-rate mortgage, it will remain the same for a defined period.

Even a small difference in the interest rate you pay can add up.

The below table highlights the effect the interest rate could have if you had a £200,000 repayment mortgage over 25 years.

Interest rate	Monthly repayment	Interest over the full term
3%	£948	£84,478
4.5%	£1,111	£133,370
6%	£1,289	£186,658

Source: [MoneySavingExpert](#)

Like other forms of borrowing, making mortgage overpayments can reduce the total cost of borrowing.

Keep in mind that some mortgages may restrict how much you can overpay before fees are applied. So, check the terms and conditions of your mortgage.



5. Give your emergency fund a boost

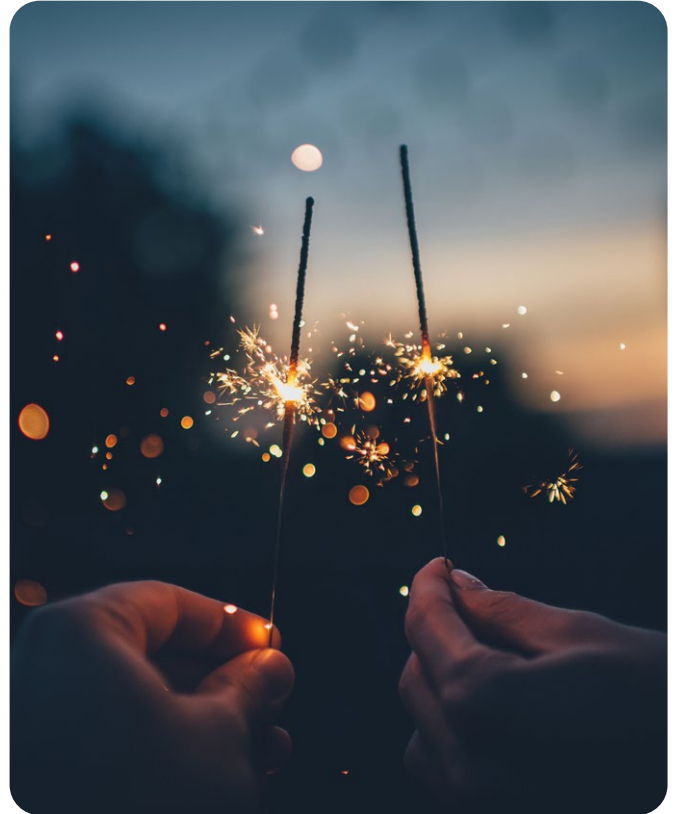
How much do you have saved for a rainy day?

An emergency fund can provide you with a valuable safety net when you need it. From allowing you to repair a leaky roof to covering an unexpected energy bill, it can provide you with financial security.

It's often advisable to have between three and six months of expenses in an easily accessible account so it's there when you need it.

Research from [HSBC](#) found that having an emergency fund is a priority for many people. 6 in 10 adults said that saving for a rainy day is important to them.

The average emergency fund balance is around £7,606. However, 1 in 5 people have less than £1,000 in their savings account, indicating they could benefit from making boosting their emergency fund a new year resolution to improve financial resilience.



Should you consider financial protection too?

Your emergency fund can provide a vital lifeline when you face short- or medium-term shocks. But how well would you cope if you faced a long-term shock, such as losing your income?

Financial protection can fill the gap when you need it most. Choosing appropriate financial protection could mean you and your loved ones are financially secure. There are three main types to consider:

- Income protection, which would provide a regular income if you were unable to work due to an accident or illness.
- Critical illness cover, which would pay out a lump sum if you were diagnosed with a critical illness named within the policy.
- Life insurance, which would pay out a lump sum to your beneficiaries, such as your partner or children, if you passed away.

Financial protection is often more affordable than people think, and it could provide peace of mind.

6. Make the most out of your savings

Getting the most out of your savings can help you reach your goals. So, seeing how much interest your savings accounts are paying is a good place to start.

Interest rates have started to rise in the last year as the BoE takes steps to tackle high levels of inflation. As a result, it's worth shopping around to find an account that's right for you and offers a competitive rate.

Depending on your goals, it could make sense to choose a savings account that locks your money away. While you won't be able to make a withdrawal for a set period, you will often be rewarded with a higher interest rate.

If you want to increase your savings, setting up a standing order can help you meet your target and simplify the process.

Managing your savings can help you reach goals, but as interest rates are unlikely to match inflation rates, the value of your savings could be falling in real terms. Depending on your circumstances, investing could provide a solution.

Saving for children

If you have children, you may want to set a saving goal to build a nest egg for them. It could help them reach milestones later in life, from paying for driving lessons to buying their first home.

The good news is that children's savings accounts typically offer higher interest rates, so your money will go further. You can choose from a variety of accounts, from an easy access account to a Junior ISA (JISA), where the money is locked away until they're 18. You can add up to £9,000 to a JISA in the 2022/23 tax year.



7. Make regular investing part of your plan

One way to combat the effect of inflation on your savings is to invest.

The [BoE's inflation calculator](#) highlights how the rising cost of living can affect savings. If you had £10,000 in a savings account in 2000, it would need to have increased by almost £5,000 over two decades simply to maintain its value in real terms.

Even with interest rates rising, it's unlikely the interest your savings earn will keep up with inflation.

Historically, markets have delivered returns in real terms over the long term. As a result, investing could provide a way for you to grow your wealth.

If you want to build up your investment portfolio, setting up a regular contribution can help you take steady steps to reach your goal. It'll also mean you buy stocks and shares at different points of the market cycle, which could help to balance risk and volatility.

You should keep in mind that all investments carry some risk, and it's important you choose investments that are appropriate for you. Volatility is part of investing, and the value of your investment may fall.



When is the right time to invest?

Investing could grow your wealth but isn't always the right option. If you're thinking about investing, you should:

- Have a long-term goal in mind as investments may experience volatility
- Have an emergency fund to provide a safety net for short-term shocks
- Understand your risk profile and which investments are appropriate for you.

If you'd like to discuss if investing could be right for you, please get in touch.

8. Secure your retirement by increasing pension contributions

It's never too soon to start thinking about your retirement. Whether the milestone is just around the corner or years away, increasing your pension contributions now could help you secure the lifestyle you want in the future.

Start by reviewing how much you currently have in your pension and what contributions, including those made on your behalf, are regularly being made. Look at your budget and see how much you can realistically increase your contributions.

Not only will you be adding more to your pension, but your contributions will normally also benefit from tax relief to give your pension an extra boost.

Your pension is usually invested, so it's also worth reviewing how it's invested to ensure it aligns with your goals and risk profile – it could help your contributions go further.

If you're not sure if you're on track to deliver the income you want in retirement, a review with a financial planner can help.

The 2 pension allowances you need to be aware of

1. Annual Allowance

The Annual Allowance is the amount that can be added to your pension each tax year while still benefiting from tax relief. This covers the tax relief you receive and the total contributions, including your own and those that an employer makes for you.

For the 2022/23 tax year, the Annual Allowance for most workers is £40,000 or 100% of your annual earnings. If you're a high earner or have already flexibly drawn an income from your pension, your allowance could be lower.

2. Lifetime Allowance

The Lifetime Allowance is the total amount of pension benefits you can build up tax-efficiently. It covers the total value, so you may need to consider investment returns as well as contributions. For the 2022/23 tax year, it is £1,073,100.

If you have a defined benefit pension, you will normally need to take your expected annual income and multiply it by 20 and add any separate tax-free lump sum you may receive to understand if you're nearing the Lifetime Allowance.

Exceeding the Annual Allowance or Lifetime Allowance can result in an unexpected tax bill. If you have questions about increasing your pension contributions, please contact us.

9. Get your estate plan in order

If you've been putting off getting your affairs in order, resolve to take control of your estate in 2023.

While it can be difficult to think about, organising your affairs can give you peace of mind and ensure your wishes are followed.

Here are four steps you could take to help put your estate in order in 2023:

1. Write or review your will

A will is the only way to ensure your estate is passed on according to your wishes, so it's an important document. You can use a will to name your beneficiaries and what you'd like them to receive from your estate.

It's a good idea to review your will after major life events and at least every five years, so even if you have a will in place, you may want to review it.

2. Name a Lasting Power of Attorney

A Lasting Power of Attorney (LPA) gives someone you trust the ability to make decisions on your behalf if you're unable to, including if you lose mental capacity. There are two types of LPA, covering finance and health, and it is normally beneficial to have both in place.

3. Complete an expression of wishes

An expression of wishes is used to say who you'd like to receive your pension benefits if you pass away. It is not legally binding but provides guidance. You will need to complete an expression of wishes for each of your pensions.



4. Calculate if your estate could be liable for Inheritance Tax

If the value of your estate exceeds the nil-rate band, which is £325,000 for the 2022/23 tax year, it could be liable for Inheritance Tax (IHT). The standard rate of IHT is 40% so it could significantly reduce what you leave behind for loved ones.

However, by being aware of a potential IHT bill you can take advantage of allowances and take other steps to potentially reduce it. One example might be to take advantage of the "residence nil-rate band" by leaving your home to a child or grandchild.

We can help you create an estate plan that ensures your wishes are carried out and that you're financially secure later in life.



10. Schedule a financial review

A financial review can help balance your goals for 2023 with long-term aspirations. It can give you confidence in the decisions you make. Regular reviews with a financial planner can help ensure you remain on track and that your plan continues to reflect your needs.



Please contact us to discuss your financial plan:

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Please note: This guide is for general information only and does not constitute advice. The information is aimed at retail clients only.

The value of your investment 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.

Your home may be repossessed if you do not keep up repayments on a mortgage or other loans secured on it.

Note that life insurance plans typically have no cash in value at any time and cover will cease at the end of the term. If premiums stop, then cover will lapse.

A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Past performance is not a reliable indicator of future results.

The tax implications of pension withdrawals will be based on your individual circumstances. Thresholds, percentage rates and tax legislation may change in subsequent Finance Acts.

The Financial Conduct Authority does not regulate will writing, tax planning, or estate planning.