

PENSION ALLOWANCE TRAPS

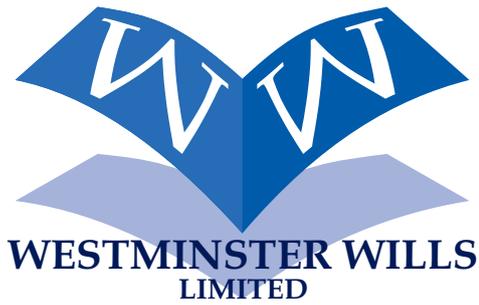
Increasing numbers hit by unexpected tax penalties

EASIER BEING GREEN

How you can make a difference as a small investor

IT WON'T HAPPEN TO ME

How income protection can provide your Plan B



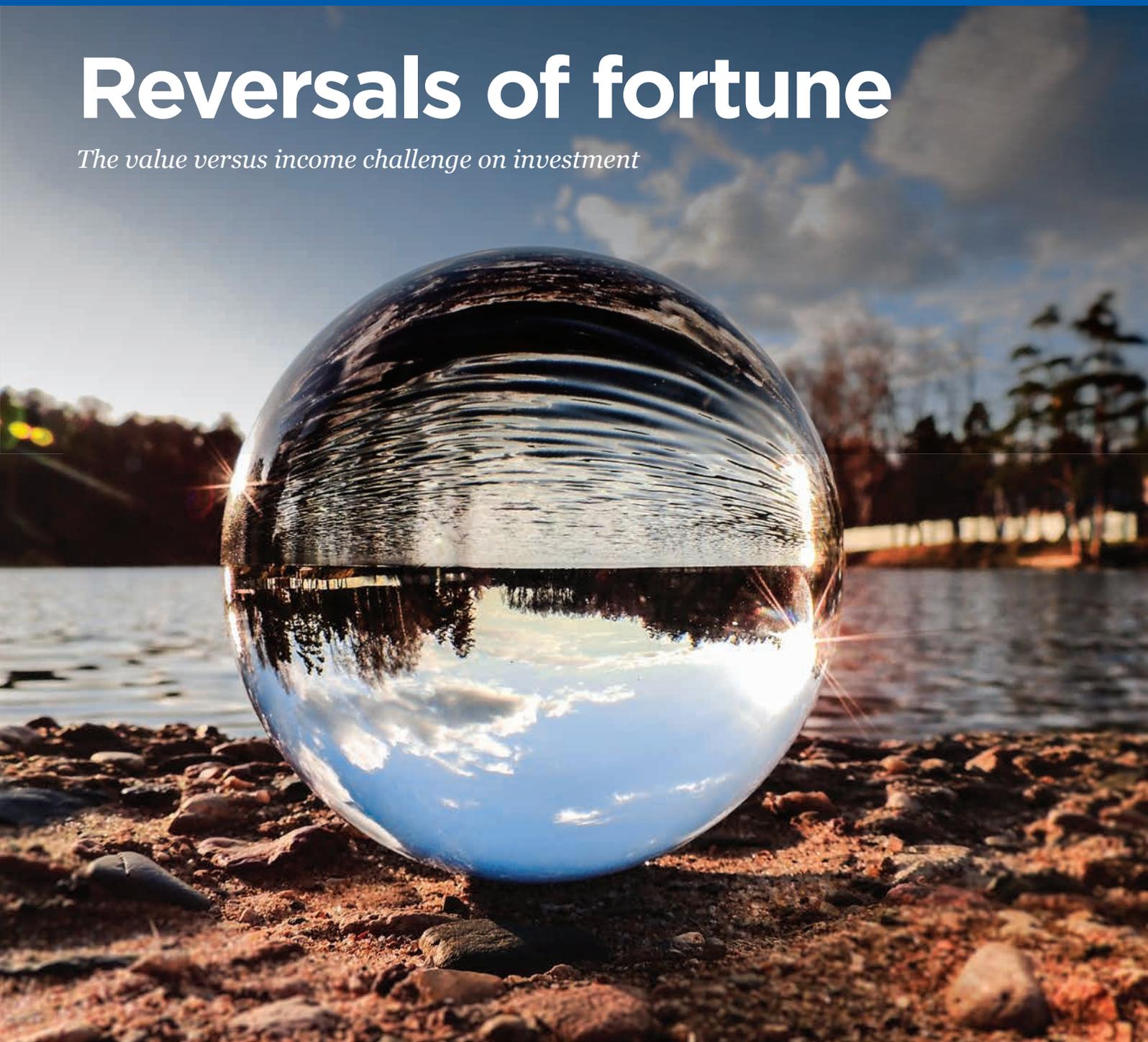
Financial FOCUS

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DEC 19/JAN 20

Reversals of fortune

The value versus income challenge on investment





INVESTMENT

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Still holding a cash ISA?

Does a cash ISA still make sense?

The most recent ISA statistics from HMRC show that in April 2018 over £270m was invested in cash ISAs which represents around 44% of the total adult ISA funds.

Whether that is a sensible use of the tax advantages offered by ISAs is a moot point. The introduction of the personal savings allowance in 2016/17 of £1,000 for basic rate taxpayers or £500 for higher rate, means that most savings interest no longer attracts tax. Add to that the lowly cash ISA interest rates – NS&I pays only 0.9% – and if you still have a cash ISA, you may want to consider transferring it to the stocks and shares version.

+ A stocks and shares ISA is a medium to long term investment, which aims to increase the value of the money you invest for growth or income or both. The value of your investments and any income from them can fall as well as rise. You may not get back the amount you invested. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.

PLANNING

Five ways to develop better spending habits

At a time of year even more focused on spending than usual, there are a few habits you can develop to help you keep a rein on your resources.

Retailers understand the psychological cues that encourage us to spend and deploy them online, in their store layout, advertising and marketing campaigns. Multi-buy offers, or short-term sales such as Black Friday can create a sense of urgency and encourage impulse buying. It can be hard to resist, even in straitened times.

Shrewd shoppers can deploy some simple strategies to help them spend wisely and save more.

Prioritise

saving: Move money into your savings account or ISA before you have time to spend it. A simple direct debit going out on pay day is a great first step towards adjusting your spending habits. Set a budget on spending and stick to it.

Pay in cash: Leave your debit and credit cards at home and take cash instead. Studies have shown paying in plastic reduces the 'pain' of paying, because it feels less like 'real' money. Contactless payments can make spending even more 'painless'. Brain scans have shown the 'pleasure' regions of the brain are associated with purchases made on plastic, but both 'pleasure' and 'pain' light up for those paying in cash.

Don't shop until you drop: Avoid hitting the shops when you're tired, which reduces your ability to focus and make logical decisions. Long shopping trips, or hours browsing online, just add to this fatigue, and undermine your willpower when trying to make sensible purchasing decisions.

Take your time: Do you really want or need that item? When shopping online, simple steps, like disabling 'one-click' purchasing and deleting saved cards details on your computer can create useful delay. Better still, keep your wallet in another room when browsing. Even small hurdles like this can nudge us away from an online purchase.

Waiting at least 24 hours – or better still a week – before buying also gives you time to shop around on price.

Clear out 'cookies': Delete these regularly to avoid being bombarded with ads for items you've been browsing online. These constant reminders can wear down the resolve of even the most careful shoppers.

Once you get into the habit, it'll be easier to keep that New Year's resolution to save more and spend less...



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