

New Year (Financial Planning) Resolutions For the Smith family

Every year, millions of people make New Year's resolutions, hoping to spark positive change. The recurring themes each year include a more active approach to health and fitness, improved finances, and learning new things for personal and professional development. Chances are, more than a couple of the top 10 most common resolutions will look familiar to you:

1. Exercise more
2. Lose weight
3. Get organized
4. Learn a new skill or hobby
5. Live life to the fullest
6. Save more money / spend less money
7. Quit smoking
8. Spend more time with family and friends
9. Travel more
10. Read more

In this newsletter, we are going to suggest some financial planning resolutions to the three generations of our fictitious family, the Smiths, and look at what steps they can take to keep those resolutions.



1. A resolution for all 3 generations of the Smiths

- **Make time to reflect and plan**

You will be aware that, as your financial planners, whenever we have the chance, we emphasise the importance of making time to reflect and plan.

Based on our experience, we think it is unlikely that many members of the Smith family will do this of their own accord, even though mountains of evidence exist to prove the old adage that “If you fail to plan, you plan to fail”!

The Christmas and New Year break at the end of another calendar year provides the perfect opportunity for people of all ages to find time to plan.

We can mentally prepare for change whilst catching some fresh air on a Christmas walk. We can think about changes that motivate us, whilst enjoying a lie in on New Year’s Day, or even formulate our resolutions whilst taking down the Christmas decorations!

Having taken the time to think about the future, we would stress to the Smiths that the vital final stage of the planning process is to write down their resolutions.

Writing down resolutions will help to clarify what it is they want to achieve. It will also encourage them to make decisions and be precise with their words.

A written resolution will establish intention, although action still needs to be taken to achieve the resolution. Having a written account of a resolution will provide a constant reminder of the need to take action.



For those existing clients of Breed Elliott, you will be used to us encouraging you to discuss your plans and aspirations with us when we review your affairs. In turn, this will enable us to ensure your financial strategy is on track and to tailor any recommendations to your personal circumstances.

2. Resolutions for the Smith grandparents

- **Organise and simplify**

For those in later life, like the Smith grandparents who are in their mid to late 80s, resolutions might be focused more on how they can help family members than on their own needs.

A sensible objective would be to ensure that their financial affairs are well organised and kept simple. This could involve tidying up paperwork, reducing the number of bank accounts, simplifying a share portfolio or organising Lasting Powers of Attorney.

This type of resolution will help the Smiths feel confident their affairs are in order through the remainder of their lifetimes and also help their children to sort out their financial affairs after their death.

- **Prepare for care**

The never-ending advances in medicine are likely to lead to the grandparents living longer and possibly having to cater with ill health.

Clearly, this is a difficult area about which to be positively motivated, but intentions can be set out and action plans put in place to achieve those intentions.

We would encourage the Smiths to think about where they would want to call home, if adaptations can be made to the building to improve quality of life, what care they might need, how their family or others might help. This may be as simple a task as employing a local gardener to keep the prized Rose Garden in order.

3. Resolutions for the Smith parents

- **Understand their pension benefits**

These days, most people approaching retirement will have had a number of different employments and are likely to have a number of different pension arrangements associated with those employments.

We would suspect, based on our experience with such clients, that understanding of the pension schemes and the benefits they provide will be sketchy.

A sensible resolution for the Smith parents would be to gain a detailed understanding of their pension benefits so that they can start to plan how best to use these to provide for their retirement.

- **Review the wills**

It is prudent to review our wills on a regular basis in any event but a particularly sensible thing to do when circumstances are changing, children are flying the nest and possibly getting married and retirement is looming, such as is the case with the Smith parents.

4. Resolutions for the Smith children

- **Start some regular savings**

Leaving school or university and receiving the first pay cheque is an exciting time and brings with it a sense of financial responsibility. It can be very tempting to get carried away and to start spending this new found wealth!

A sensible resolution would be to commit to squirrelling away some of the income on a regular basis. We all know from our personal experience that this is painful to start with but, in no time at all, the regular savings are just another of our normal outgoings and barely missed.

- **Be insured**

This is another of those resolutions about which it may be difficult to become highly motivated but one which should take a high priority.

The younger generation will quickly take on car insurance because they have to by law. The speed at which they take up life or health insurance is likely to be considerably slower, even though the negative impact is likely to be significantly greater.

Yet, as youngsters in their 20s/30s, they can plan for their future and protect themselves against the threat of premature death or ill health paying relatively small premiums which, as with their regular savings, will quickly become a normal part of their everyday spending.

5. Turning resolutions into reality

Having set aside time to reflect and plan and then record their resolutions in writing, what should the various members of the Smith family be doing next?

It is great for, say, Grandad Smith to make a resolution and write it down, but if none of the Smith family know about it, it is easy to forget about or even ignore. And when Grandad Smith does not achieve it, no family members will notice or care.

On the flip side, if another member of the Smith family decided to tell the whole family about their goal, they will feel something different. Now that they have “gone public” with their goal, they will feel a sense of obligation and accountability. Essentially, if they do not follow through, they are going to let everyone down.

Crazy as it sounds, this sense of guilt can be more powerful than self-motivation. The upshot here is that when you do succeed, the people you shared with will celebrate with you. A big family party!

One further tip to offer the Smiths would be to use technology to help to stay on track. Most of us will already have access to free tools via our mobiles and our computers which can provide us with to-do lists, reminders and milestones.

All of the different “apps” will not help us to act but they do serve as a constant reminder of the actions that need to be taken.

Market data

Market	Value at start of 2019	Current situation	Comments
Interest Rates (BOE base rate)	0.75%	0.75% at 31/12/19	The official bank rate is 0.75%.
House Prices (Nationwide)	House prices increased by 2.6% in 2018	House prices up by 0.8% at 31/12/19	An increase of 0.1% on house prices in December.
UK Share Prices (FTSE 100)	7142.83	7555.82 at the close on 31/12/19	The FTSE 100 rose by 193.03 points in December.

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