

# Have you secured your legacy?

## The vital role of Wills in estate planning

Legacy planning holds different meanings for different individuals. For some, it is about ensuring their loved ones are financially secure; for others, it involves safeguarding cherished possessions or supporting charitable causes. Central to this process is drafting a Will, a pivotal legal document that allows you to dictate the distribution of your money, property and possessions after your death.



This document clearly states your wishes, ensuring your assets are allocated precisely as you intend. Without a Will, you lose this control and are considered to have died 'intestate'. Consequently, intestacy laws come into play, determining how your legacy is distributed. These rules are far from straightforward and vary significantly based on factors such as your location, relationship status and family structure.

The complexity of intestacy laws can lead to unintended consequences, such as estranged relatives inheriting your estate or loved ones being left without adequate support. The absence of a Will complicates the distribution process and can create emotional and financial strain for your family. By having a valid Will, you provide peace of mind, knowing that your wishes will be respected and potential disputes or challenges will be minimised.

### Lasting Power of Attorney explained

Equally important in legacy planning is the concept of a Lasting Power of Attorney (LPA). This legal document permits you, the 'donor', to appoint one or more individuals, known as 'attorneys', to make decisions on your behalf or assist you in doing so. There are two primary types of LPA: Health and Welfare, and Property and Financial Affairs.

### Importance of Health and Welfare LPA

The Health and Welfare LPA ensures that your chosen attorneys can make decisions regarding your medical care and life-sustaining treatment when you are incapacitated. This document becomes effective only when you lose mental capacity, allowing your attorneys to act in accordance with your expressed wishes.

### Property and Financial Affairs LPA

On the other hand, the Property and Financial Affairs LPA allows your attorneys to manage your financial matters, including paying bills, managing your bank accounts and handling property transactions. This type of LPA can be activated as soon as it is registered, provided you grant permission or upon losing your mental capacity.

### Avoiding potential financial pitfalls

From a financial planning perspective, neglecting to establish an LPA can lead to significant issues. Without an LPA, your loved ones may need to apply to the Court of Protection for the right to act on your behalf, a time-consuming and costly process. This can be particularly problematic if the finances are solely in the name of the incapacitated individual, leaving their spouse or partner without legal access to necessary funds.

### Registering your LPA

Once drafted, LPAs must be registered with the Office of the Public Guardian (OPG). This registration is crucial for the documents to become legally effective and ensures that your chosen attorneys can act on your behalf when necessary.

### Holistic financial planning

We can help you identify these potential pitfalls and plan accordingly. By incorporating LPAs into your financial strategy, you can avoid the complications that arise from an unexpected loss of capacity, ensuring that your financial matters are handled smoothly and in line with your wishes. ■

### READY TO SECURE YOUR FUTURE LEGACY?

Please get in touch with us for further information on drafting a Will or establishing a Lasting Power of Attorney. We'll assist you in every step of your legacy planning process.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL, OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE FINANCIAL CONDUCT AUTHORITY DOESN'T REGULATE TRUST PLANNING AND MOST FORMS OF INHERITANCE TAX (IHT) PLANNING. SOME IHT PLANNING SOLUTIONS PUT YOUR MONEY AT RISK, AND YOU MAY GET BACK LESS THAN YOU INVESTED. IHT THRESHOLDS DEPEND ON INDIVIDUAL CIRCUMSTANCES AND THE LAW. TAX AND IHT RULES MAY CHANGE IN THE FUTURE.

# Building wealth and achieving financial goals

## Aligning investments with risk tolerance and capacity

Investing is an indispensable tool for building wealth and achieving financial goals. By allocating resources to various investments, individuals can accumulate wealth over time through capital appreciation, dividends and interest. For example, investing in a diversified portfolio of stocks can yield significant returns, enabling you to grow your wealth far beyond what traditional savings accounts offer.

Additionally, investments can provide a passive income stream, helping to fund major life events such as buying a home, funding education or enjoying a comfortable retirement. The power of compounding returns further amplifies the benefits of investing, as the earnings on your investments generate their earnings over time.

However, it is crucial to understand the concepts of risk tolerance and risk capacity to make informed investment decisions. Properly balancing your investment strategy with your risk profile can significantly impact your financial success and peace of mind, helping you navigate the complexities of the financial markets more effectively and confidently.

### Understanding risk tolerance

Risk tolerance refers to an investor's willingness and ability to endure market volatility and potential losses. It measures your comfort level with investing in assets that may fluctuate in value. Factors influencing risk tolerance include your personality, past investment experiences and financial goals.

For example, if you are comfortable taking risks, you might prefer investments offering higher potential returns, understanding that these come with greater volatility. Conversely, if you are risk-averse, you would likely choose safer investments, even if they offer lower returns.

Understanding your risk tolerance is crucial before you begin investing. Ask yourself questions like: How comfortable are you with market volatility? How might you react if your investments decrease in value? Are you someone who embraces investment risk for greater opportunities, or are you more risk-averse and likely to worry when the market dips?

### Defining risk capacity

Unlike risk tolerance, risk capacity is not based on your emotional comfort with risk. Instead, it pertains to how much risk you can afford to take, given your financial situation, investment time horizon and life stage.

Risk capacity considers practical aspects like your income, savings, liabilities and the time frame for achieving your financial goals. For instance, a young professional with a steady income and decades before retirement may have a higher risk capacity than someone nearing retirement who cannot afford significant portfolio losses.

### The importance of aligning investments

Aligning your investments with risk tolerance and capacity is critical for several reasons. First, it helps ensure that you do not take on more risk than you can handle emotionally or financially. Second, it prevents you from being overly conservative, which might hinder your ability to grow your wealth sufficiently to meet your financial goals.

### Practical tips for assessing risk tolerance and capacity

**Self-assessment:** Reflect on your past reactions to financial losses. How did you feel and respond? Consider your long-term financial goals and how much volatility you will endure to achieve them.

**Financial review:** Evaluate your current financial situation, including your income, savings, debts and future financial needs. Determine how much loss you can afford without jeopardising your financial security.

**Time horizon:** Assess the time you have to invest.

Longer time horizons generally allow for taking on more risk, as there is more time to recover from potential losses.

**Risk tolerance questionnaire:** We can help assess your risk tolerance and provide insights into your comfort level with different types of investments.

### Choosing investments

Once you understand your risk tolerance and capacity, we can advise on the appropriate investments that align with these factors.

**Here are some options:**

**For high-risk tolerance and capacity:** Equities, growth stocks and exchange-traded funds (ETFs). These investments offer higher potential returns but come with increased volatility.

**For moderate risk tolerance and capacity:** Balanced portfolios with a mix of stocks and bonds can provide a good balance of growth and stability.

**For low-risk tolerance and capacity:** Conservative investments such as government bonds, blue-chip stocks and high-quality fixed-income securities. These options offer lower returns but are less volatile.

### Aligning investments with risk tolerance and capacity

It's essential to align your investments with both your risk tolerance and risk capacity. Failing to do so may result in taking on more risk than you can afford or being overly cautious, causing your savings to grow too slowly. Both scenarios could hinder your ability to reach your financial goals. Understanding your unique approach to risk and how it impacts you is vital.

Additionally, aligning your investments with your risk tolerance and capacity is essential for achieving your financial goals while maintaining peace of mind. By assessing these factors and choosing appropriate investments, you can more effectively navigate the complexities of the financial markets. ■

### READY TO TAKE CONTROL OF YOUR FINANCIAL FUTURE?

We'll listen to your plans and goals and create an investment strategy tailored to your unique risk profile and financial situation. To discuss your investment requirements – please get in touch with us.

THIS ARTICLE DOES NOT CONSTITUTE TAX, LEGAL OR FINANCIAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH. AND SHOULD NOT BE RELIED UPON AS SUCH. TAX TREATMENT DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN THE FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE.

To arrange a complimentary consultation or review, please contact our Independent Financial Advisers on 01803 224888.