



**WAGNER**

CHARTERED ACCOUNTANTS

THE PROFITABLE CHOICE

**ARE**

**YOU**

**RESPONSIBLE?**

The answer to this question will fundamentally affect how happy you and your family are for the rest of your lives

## Let's start with the brutal truths...

Over recent years the landscape of personal finances has changed. Fundamentally. Forever. For the worse. For everyone... including you, your family and your loved ones.

The evidence is overwhelming. And it is all around us...

- Austerity means the state will provide less help than ever before
- We are already being forced to contribute more for the help we do get
- Parents are being forced to act as "The Bank of Mum and Dad"
- The young are burdened with student debts of £27,000 for university tuition fees
- Parents must often contribute towards university living costs of £20-£30,000
- Getting on the housing ladder is tougher than ever before
- New affordability rules mean it is harder than ever to get a mortgage
- Average first-time buyers must find £30,000 – with 78% needing help from their parents
- Interest rates must rise – making buying a home even more expensive
- The elderly are having their savings decimated by care fees of £30,000 a year
- The country's national debt – £1 trillion and rising – will have to be paid for
- The total amount of tax society pays will keep increasing – probably dramatically
- And all of this is against a backdrop where real wages have fallen
- The cost of living is more expensive than ever before
- An average wedding costs £24,000
- The lifetime cost of having a child – ignoring university – is typically £218,000
- Private education from 5-18 can easily cost £140,000
- For the average family with two children, many of these costs are doubled
- People are living longer – so retirement is going to cost more
- State pensions are certainly not generous – and are getting worse
- Many company pensions are not paying what they "promised"
- Personal pensions are a minefield
- Low pension annuity rates mean that even the best pensions pay less
- Pension reforms make it possible to catastrophically mess up previously watertight plans
- Low interest rates have decimated interest income from savings
- Increases in house prices can no longer be relied on to bail you out
- And there won't be a nanny state to bail you out either

Brutal truths that all lead to

# The irrefutable fact of family life

And that irrefutable fact of family life is that every single one of us must tackle these issues head on.

Fully. And immediately.

Because if you don't, no-one else will. Indeed, no one else can.

In other words, you owe it to everyone you love. And that means taking "Lifetime Financial Responsibility" for the money side of your affairs.

Fully. And immediately.

## You owe it to everyone

In particular you owe it to:

- **Yourself** – so you can enjoy the happiness of being able to afford to live the life you want.
- **Your partner** – so they can be happy too.
- **The generation above you** – so they can enjoy the happiness of stress free later years, and the joy of being able to leave a legacy.
- **The generation below you** – so you can all enjoy the happiness that comes from giving your children a good start in life, and acting as their “Bank of Mum and Dad” when needed.

## Because if you fail to act...

If you run away from these issues... If you ignore them... If you kid yourself that “they don’t apply to me”, or “I can deal with them later”... Then you are operating on luck.

But luck isn’t a sensible or reliable thing to base your whole life on. Clearly.

And if luck isn’t on your side you will suffer:

- **Pain** – Because you will have failed to give yourself and your loved ones all the happiness and life you wanted.
- **Regret** – Because you will know that failure was your fault, and that things could have been different if only you had acted fully and immediately.

And if your strategy of relying on luck really goes bad, you may even find you and your loved ones suffering:

- **Real hardship**
- **Shame**

## Lifetime financial responsibility

Preventing all of that pain, regret, hardship and shame is simple.

You must take Lifetime Financial Responsibility.

And specifically that means:

1. Understanding your current situation
2. Understanding your future situation
3. Managing your income
4. Managing your spending
5. Managing your saving
6. Managing your assets
7. Managing your liabilities
8. Managing your risk
9. Managing your tax burden

It may sound daunting. But it's actually much easier than it seems.

And if you care about your family and your future, you must do these things. You must take that kind of Lifetime Financial Responsibility. Fully. And immediately.

No one else can (or will) do it for you.

You must. And you can.

And to help you, here is your step-by-step action plan...

## Your step-by-step action plan

Relax, the table that follows breaks everything down into bite size chunks.

So start now by using the right hand column to tick the things you have already done.

And then use the un-ticked items as your step-by-step action plan. It's a simple as that.

# The key actions you must take

Place a tick in the box if you already have this action 100% sorted. Otherwise leave it blank

**1 Personal Balance Sheet** – Understand your current financial situation by producing a personal balance sheet for your entire family unit accurately recording all your assets, liabilities and net worth.

**2 Lifetime Financial Projections** – Understand your family unit's future financial situation by producing a set of lifetime financial projections.

This needs to take your current personal balance sheet as the starting point, and roll it forward, one year at a time, to include all your income, expenditure and other cash receipts/outflows. It should also calculate your net worth at the end of each year, for the rest of your life expectancy. Additionally, it needs to be mathematically accurate, and based on suitable assumptions for the effect of inflation, interest rates, investment returns etc.

And, most importantly of all, it should reflect the lifestyle and standard of living you want to achieve.

**3 Profit plan** – Ensure that you maximise your business income by using all these profit drivers to maximise your profitability:

- Generating more sales leads
- Converting more of your leads into sales
- Getting customers to spend more on average
- Getting them to spend more often
- Getting them to stay as customers for longer
- Pricing for maximum profit
- Systemising everything

**4 Savings plan** – Ensure that you:

- Understand how much you need to save in order to fund your lifetime goals, dreams and aspirations
- Understand the potential of tax-free environments to make saving more effective
- And ensure that the required level of saving happens automatically, every single time, with no chance of failure

**5 Investment plan** \* Ensure that the money you save is invested in the places that are most suitable for you, with full regard to:

- How long you can afford to tie your money up, and how quickly you might need to access it
- Whether you prefer capital growth or income – and how much of each you want to achieve
- How much risk you are willing to take
- The tax implications
- And any other preferences or requirements you have

**6 Standard tax reduction plan** – Ensure that you are making full use of the 50+ standard (ie "plain vanilla") tax planning opportunities covered by our TaxAbility checklist.

**7 Advanced tax minimisation plan** – Ensure that you are making a fully informed choice over which of the more advanced tax planning strategies to use. These include advanced strategies for legally minimising:

- The income tax you suffer when getting profits out of a company
- The capital gains tax you suffer when selling assets for a profit
- The inheritance tax your family suffers when transferring wealth from one generation to another

**8 Borrowing plan** \* Ensure that all your business and personal borrowings – including loans, mortgages, credit cards, HP arrangements etc. – are structured in such a way as to minimise your overall net cost of borrowing. Also ensure that your credit history and credit score are suitably positive. And ensure that anyone likely to need a mortgage is prepared for the new affordability rules.

**9 Business exit plan** – Ensure that you have a robust plan that will allow you to exit the business at your preferred time, on your preferred terms and with your preferred amount of money.

- 10 Retirement plan** \* Ensure that you have a robust plan in place to deal with the financial implications of retirement. In particular you should:
- Understand how much state pension you will receive
  - Understand how much pension you are likely to receive from anyone who has ever employed you – and how secure that pension income is
  - Ensure that your personal pension arrangements will provide you with all the extra income you require in your retirement
  - Ensure that recent and planned reforms to the pension system are fully factored into your plans
- 11 Wealth receipt plan** \* Is it likely that someone else (perhaps a parent, relative or friend) will want to transfer some of their wealth to you, either during their lifetime, or as an inheritance on their death? If the answer is “yes”, then in order to minimise how much of that wealth ends up in the government’s hands, you should suggest to your parent/relative/friend that they:
- Sign a professionally written will – so that their wishes are respected
  - Consider, with suitable professional advice, what they can do to prevent care fees and inheritance tax reducing the amounts they are able to pass on
- 12 Wealth transfer plan** \* Is it likely that you will want to transfer some of your wealth to your children, relatives or friends on your death? If the answer is yes, then in order to minimise how much you are able to pass on (and minimise how much the government takes), you should:
- Sign a professionally written will – so that your wishes are respected
  - Take professional advice to see what can be done to prevent care fees and inheritance tax reducing the amounts you are able to pass on to your loved ones
- 13 Risk management plan** \* Ensure that you and your family are fully protected by:
- Making life easier and less stressful for your family if an accident or illness means you can't fully look after yourself – by putting a suitable power of attorney in place so that your affairs can be handled by your loved ones until you are better
  - Taking out the appropriate level of insurance for all of the major risks facing your family – health, possessions and finances – so you can sleep at night, secure in the knowledge that you always have a safety net in place to fall back on
  - Educating your extended family to avoid being robbed of their pension rights by unscrupulous companies who exploit recent pension reforms by promising to help people release cash from their pension – but who often end up keeping most of the money themselves
- 14 Ongoing monitoring** \* Update and monitor your Personal Balance Sheet and Lifetime Financial Projections on a regular basis in the light of all the above. And use them to continually update your plans in order to ensure that (A) there are no nasty surprises, and (B) that you will always have the financial means to live the life you want.

But please relax, because we can make all of this easy for you.

And you will be in the best possible hands. Because, where there is an \* in the table above, and, where appropriate, we will also introduce you to a suitable third-party who can provide the additional specialist help you need where we are not authorised to give that particular type of regulated advice.

## If you scored less than 14...

Taking Lifetime Financial Responsibility means being able to tick all 14 of the boxes in the table above.

If you already have 14 ticks, congratulations.

And if you don't have 14, don't panic. We are here to help you every step of the way. But don't risk your family's happiness by leaving it until it's too late.

Get the ball rolling by talking to us today. It won't cost you a single penny. But it will help you and your family to live the life you really want.



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