The Five Ages of Financial Planning

35-50 – Onwards and Upwards

We produced a brief guide to help you gain a better understanding of what you should reflect upon financially as you progress through your life stages. You can view the previous article here. Following this, we are developing each section to offer some understanding around some of the points we made.

In the previous article '18-35 – Starting out' we expanded on the period when schooling finishes and you legally become an adult. Now it's time to head onwards and upwards. Once you have a better understanding of what money is and more importantly, what it can do for you, you will have more control over it. Now it's time to consider the next stage.

Whilst this is only a timeline of 15 years, this period often splits into two halves. In the first half, you may be blessed with children and will probably have the pleasure of owning your own home, which almost certainly means a mortgage. Both children and mortgages mean that protection is key. It's not just about life assurance, but income protection and critical illness as well.

In our experience, many people will assume that either the State or their employer will cover them and far too often that isn't the case. We urge you to speak to your employer about how you are protected, should the worst happen.

Do also make sure you are aware of what cover is offered in terms of critical illness and income protection.

In the previous section, we highlighted the need for three key things:

1) Start saving when you can

2) Seek protection when its required

3) Try to gain more understanding of money

At this age, you are more likely to suffer an illness and survive than to die, but you do need to be prepared to deal with these difficult circumstances.

Regarding your assets, by now, you should have some accessible cash savings. Try and aim for around six months of your regular income level to be available in some form of instant access account, unless you are saving for a specific purpose.

Any long-term savings in excess of that should be invested in some type of multi asset risk rated investment, preferably within a tax efficient wrapper such as an ISA. These investments do not include the same security of capital which is afforded with a deposit account.

Preparing for you and your family's future

If possible, try and increase your pension contributions, especially if your employer matches the increase with one of their own. Whilst retirement may seem a long way away, these early contributions will work the hardest for you. This will also support the second half of this life period when the runway to retirement really starts.

Planning for retirement includes taking advantage of any Higher Rate Tax relief on your pension contributions, as well as committing to long term risk rated multi asset investing. A pension is one of the most tax efficient investment wrappers available at present. They offer income tax relief on any contributions you make, your investment grows free of all taxes and the fund is free of inheritance tax as well.

Furthermore, the death benefits offered by a personal pension can be very favourable. Whilst your assets are 'locked' into a pension until well into your fifties, the earlier that contributions are made, the more likely it will be that you can plan for your retirement.

It may feel like a long way away, but you also said that about your 40th birthday when you were just starting out and yet here you are! This period can also be a time when you hit the 'Responsibility Sandwich'. You may find yourself sitting in the middle of grown-up children and grown-up parents who may now both start to be a little more challenging.

Whilst you should have organised a Will by now, you must ensure that it is up to date. This is also a good time to discuss setting up a Lasting Power of Attorney for your parents as well as thinking about one for yourself as well.

The world is full of people who wished they had done this form of planning, but never got round to it often because they thought 'it would never happen to them'. Sadly, it does and dealing with the financial matters of your parents due to serious illness can be stressful, time consuming and costly without a Lasting Power of Attorney.

By now, it is wise to have built a relationship with a financial planner. The earlier you do this, the better your financial plans will be. The planner will help you gain an understanding of your finances and help you with key financial decisions. Making these good financial decisions will ensure you benefit in the long term.

This period in your life does to tend to be full of stress. The more support you can take on, the better it will be.

In the next article, we will discuss the next life stage, titled '50-60, winding up and winding down'.

Please note: The value of your investment can go down as well as up and you may get back less than the amount invested and levels, bases of and reliefs from taxation may be subject to change and their value depends on the individual circumstances of the investor.

If you would like to find out more, please email hello@pfgl.co.uk