

Financial wellbeing briefing – March 2019

What is financial wellbeing and why do you need it?

Financial wellbeing, or Independent Financial Education (IFE), is a hot topic so you've probably already heard about it, but what is it really? And why might you and your employees need it?

To start with, personal finance can be really complicated and we don't get taught how to handle it at school. As a result, people learn as they go and this often causes a lot of stress and worry. Financial wellbeing is designed to help people get to grips with all aspects of their finances, from the basics such as budgeting and getting the best deal, to the more complicated issues such as pensions and insurances. The outcome is that people feel empowered to make the decisions that are best for them.

A lack of financial understanding can also mean that employees don't truly value the benefits that are being provided by their employer. This can be a particular problem when changes are made to these benefits and employees don't understand how they will be affected. This often results in unrest and bad feeling within the workforce, and financial wellbeing can help ease this and guide employees through any changes.

How can we help?

We help employers run successful financial wellbeing programmes tailored to their staff. Some programmes are run solely to help employees understand changes, while others are targeted at specific groups of staff, and some take the form of an ongoing financial wellbeing programme.

We deliver financial wellbeing in a variety of ways, including:

- Face-to-face workshops
- Individual 121 sessions
- Online live meetings
- Web-based solutions.

The beauty of this is that we can tailor what we do to meet your specific needs. Our consultants are knowledgeable and friendly, and because we run an internal financial wellbeing programme for our own staff, we know what works well.

We can also keep you up to speed with new developments so you know when your employees might need more information. A good example of this is the recent introduction of the Lifetime ISA, or LISA as it is also known.

What is the Lifetime ISA?

The Lifetime ISA has been available since 6 April 2017 for those aged between 18 and 40. Savings of up to £4,000 can be made each tax year. For savers under 50, at the end of each tax year, the Government will add a £1 bonus for every £4 saved. This is effectively the same as providing basic rate (20%) tax relief on a £5 pension contribution from gross pay.

The savings can be drawn without penalty from age 60, or before the age of 60 to buy a first home. Early payment for any other reason would see the Government bonus and any interest earned on those bonuses being forfeited and an additional 5% charge applied.

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What is the total ISA annual limit?

You can currently save up to £20,000 each year into an ISA. So if you take full advantage of the LISA you'll still be able to contribute a further £16,000 towards other ISAs.

For basic rate taxpayers, LISAs could be more attractive than pension savings due to the government bonuses and both the investment return and retirement income being tax free. Currently only 25% of pension benefits can be taken tax free. This kind of arrangement may therefore be very attractive to some employees and should be considered alongside all other savings options.

Want more information?

Please contact your usual First Actuarial consultant or get in touch at ife@firstactuarial.co.uk if you would like to discuss anything contained in this bulletin or for assistance in developing your own IFE programme. Alternatively, you can find more information on our [financial wellbeing website](#).

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