

Planning the family finances

With the latest inflation figures showing the consumer price index (the government's preferred measure) at 4.2%, there is no denying that the cost of living is continuing to increase at a significant rate.

For many doctors, the family finances may come under increasing pressure as children get older. Universities for example are set to charge tuition fees as high as £9000 a year for some courses. Or you may want to help your children get on the housing ladder and assist with a deposit. The latest industry data show that 84% of first time buyers under 30 years of age required financial assistance to buy their first home.

This, coupled with increasing life expectancies, means the demands on your finances are only likely to increase. It is also possible that you will find yourself in a position where you need to make provision to care for elderly relatives.

The right approach

It really is a case of getting into good savings habits sooner rather than later. The earlier you start saving, the greater the potential benefit.

You should consider setting up a dedicated saving fund for your child from the child's earliest days. Many people will be familiar with Child Trust Funds, which have been abolished for children born since the beginning of the year. The government will replace them with junior individual savings accounts. These are expected to be available from 1 November 2011 with an annual contribution limit expected to be up to £3600. However, it will be important to balance the obvious tax advantages of junior individual savings accounts against other product features. For example, with a junior individual savings account, money will be locked in until your child is 18 years old, after which it falls into his/her control so the child can choose to continue to save in it, under the same terms as an adult individual savings account, or spend it.

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Parents may therefore choose a different savings plan where they are able to retain more control and have the option of accessing funds at different stages in their child's life – perhaps to help with school fees or possibly later as they graduate. You should talk to your financial consultant to find out more about the right options for you.

It is also important to remember things like your own personal individual savings account allowance. From 6 April this increased to £10 680, £5340 of which can be invested in cash.

Setting up trusts

Trusts are used for a variety of reasons. They are a great way of protecting your assets from tax and for making provision for others after you pass away. They can be used to provide financial security for your children, while giving you control over when and how the money is used.

It is important to consider what type of trust is right for your requirements as not all trusts are the same.

Once a trust is set up, the trust funds are controlled by trustees (which will normally include you while you are alive) and are distributed to the relevant beneficiaries, perhaps your children or grandchildren, when they are needed.

Practical considerations when deciding how to save

Work out your savings goals and prioritize them in order of importance. Your goals may include not only your own aspirations but those of your children as well.

The latest industry data show that the average age of a first time buyer is 29 years of age and for those unassisted by parents this rises to 31 years of age. This, coupled with the average deposit required now standing in excess of £30 000, means that children often need assistance from the 'bank of mum and dad' when trying to get on the housing ladder.

Other milestone events may also affect your attitude to savings. It is important to consider things like the age at which you would like to be mortgage free or want to retire.

Access to your money should also be a consideration when you are planning out your savings goals. Some products require you to lock savings away for a certain period of time whereas others will give you instant access but will typically carry lower rates of interest. When you work out what you need to save and when you need to access your money then you will be in a better position to choose products that provide the best potential returns but will also be flexible, allowing you to access the funds when you need them. All of these factors will have a bearing on your options and the products you choose. The most important thing is to prioritize and plan.

Protecting your family

When you are considering your future financial requirements, it is a good idea to review your protection plans to ensure your family will be protected if you were unable to work through sickness or an accident. Make sure you have the right income protection or life insurance products so that the dreams you have for your family can still become a reality.

Future generations

Although you may have safeguarded your children's financial future you might also want to help your grandchildren. One option could be to establish a stakeholder pension for them. Here you can put in either a lump sum, or regular monthly amounts up to £3600 a year. However, the earliest your grandchild will get access to the money is when he/she is 55 years old.

For doctors further on in their career you may also want to consider undertaking some form of inheritance tax planning – this may involve gifting money or setting up a trust as a tax-efficient way of passing on assets after your death.

No matter what your goals are, you should discuss the options with a financial adviser to make sure you make the right decisions for your personal needs and circumstances. **BJHM**

The above information does not constitute financial advice. For further information please speak to your financial adviser.