



Your MONEY WORRIES

ANSWERED



From property to family decisions and pensions, finance expert Alvin Hall gives some free advice

Q CAN I START A PENSION AT 53?

Help! I'm 53 and haven't got much of a pension. I hope to work to 65 and can save £200 a month, but it seems pointless to do that at this late stage. What's the best option?

ALVIN'S ANSWER Indeed, you have waited a bit too long, but you still have time — another 12 years (maybe even a few more) to rectify the situation, although it will be tougher, requiring a greater sacrifice on your part. Experts say that you should contribute a percentage of your income equal to half your age when you start paying into a pension. In your case that would be 27% of your salary! There is an argument that people who can only save a small amount shouldn't bother

because it only has the effect of lifting them out of the net of means-tested benefits, such as the Pension Credit. I'd say there's no guarantee that the same benefits system will exist in 12 years time. Your own fund, however small, is money you can control. You also get tax benefits for contributing to your pension. This means that the government effectively increases the amount that you contribute. A key consideration for you is how much risk you take with the money. I strongly suggest that you be conservative, stressing preservation of capital as one of your investment objectives. And as you near your retirement date, begin switching your money to less risky or totally risk-free holdings. Start now!

Q HOW CAN I INCREASE MY NEST EGG?

I've got £20,000 in an instant access Isa, but the interest is so low. Should I go for a locked-in higher rate or something different?

ALVIN'S ANSWER Your decision depends on how much you want your money at risk. By risk, I mean the likelihood that it will go down in value. "Something different" that would provide a possibly higher yield would be investing in the stock market or in corporate bonds. As well as the anxiety that would come from seeing the value of your investment fluctuate, there's also the possible risk of loss if the company whose shares or bonds you own goes bust. Locking a higher rate saving account is a more suitable choice if you don't want your money subject to risk. But don't lock it away for too long as the rate may look uncompetitive in a few years.

Q HOW WILL WE FUND UNI?

We're worried about the cost of university for our children and feel we should save – trouble is we don't have any spare money spare.

ALVIN'S ANSWER There is no law that says parents have to pay for their children's university education. (My parents could not afford to pay a penny.) First step is for you – and your kids once they're old enough – to understand what help is available. The Government website (direct.gov.uk) is a good place to start. Funding is available through grants that require certain criteria for eligibility but don't need to be repaid, student loans that do need repaying but not until they earn over £15,000, and bursaries that have variable terms. In the meantime, consider starting a savings pot for cash gifts made instead of presents for Christmas and birthdays. A lump sum, however humble, will always be welcome even if they don't choose uni. Showing that you are supporting your child's ambitions is as important as any money plan.



Q SHOULD WE HELP THEM BUY A HOME?

My husband and I would love to help our 29-year-old daughter on to the property ladder. We're in our mid-fifties and have quite a lot of equity in our house, but is it too complicated to try to lend the money rather than give it in case we need it for retirement?

ALVIN'S ANSWER The best gift any parents can give their children is to secure their own retirement so they are not a financial burden to their children. Don't sacrifice your retirement security to help your young daughter get on the property ladder. Encourage her to sacrifice and save, if getting on the property ladder is a top priority for her. (Don't assume your priorities for her will be the same as hers.) If you see that she's saving well, maybe periodically contribute to the money she's accumulating for her deposit. There's no hard-and-fast rule that she needs to get on the property ladder by a certain age. Your children have a lifetime to build their own financial security. You don't have quite so much time.



Q WHEN CAN WE STOP SUPPORTING THE CHILDREN?

Our 23-year-old son has had various casual jobs and done a number of courses but still lives at home and doesn't have enough money to move out. How can we make him focus and get a plan for the future?

ALVIN'S ANSWER Your situation is part of a national trend – young men and women are staying at home longer and longer, some well into their thirties. If he hasn't yet developed the necessary skills he needs to focus and create a plan for his future, you may need to get tough. Look at your own actions. Are you giving him money and making it too far easy for him to stay and do very little? As the parent, you need to set some clear limits and hold to them. Make him pay rent. Ask him to contribute to the weekly food bill. Sometimes tough love, including cutting off the "free" money, will help your young adult finally look at what he needs to do to take care of himself, instead of being taken care of.

Q SHOULD WE BORROW OR DOWNSIZE?

My husband has had to go on to a four-day week as his firm cuts back and rising costs are putting a squeeze on our budget, eating into our small savings. He wants to sell the house, but I'd rather re-mortgage – we're in our forties. Surely this downturn can't last forever?

ALVIN'S ANSWER The problem is that no one, not even the experts, can tell exactly how long the economic downturn will last. If by re-mortgaging you mean borrowing against the equity in your house, you need to consider whether your mortgage payments are likely to go up during a time when you and your husband can least afford such an increase. If your husband's salary doesn't increase, you are like to struggle to borrow more. Even if you are looking only to switch to a cheaper deal, you may fail a lender's credit reporting process. I also understand your husband's desire to sell, especially with the loss of income, but will you be able to buy or rent a place that actually costs less, when all of the expenses are considered? At the bottom line, you need to be conservative with your money, especially given your earning situation and your reduced savings. Rebuilding your savings safety net should be your priority. Sit down and come up with a plan that works for both of you.



Q HOW CAN WE PAY FOR DOING UP OUR HOUSE?

We have a small mortgage that we hope to pay off in three years, but our house really needs work done. What's the best way to finance it?

ALVIN'S ANSWER Ask your lender if you can take out a second mortgage. Some lenders have loans specifically for home improvements. You may not get as good a rate as you have for the original loan, but as you have a lot of equity in your house, getting the second mortgage should not be a problem. It will definitely be a cheaper option to getting a bank loan.

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