Questions & answers

I have a lump sum to invest and an adviser asked me to rate myself one to 10 on what risk I want to take. How do I decide? – A.T., Inverness.

Hazel Brown, a pensions director at Carbon Financial Partners, said: Risk is a very personal thing. You need to establish the specific objective you have for the capital – i.e. saving for something specific or just wanting to add to your retirement funding. You also need to decide if you need access to the capital within a specific timescale and how you would manage financially if all or a percentage of the capital was lost. Your adviser should be able to show you the range of returns and volatility of various investments and if the capital is part of long-term financial planning you should look at your whole position, probably using a lifetime cash flow analysis to establish what growth rate you need to achieve your long-term objectives.

I'm married and have a pension from which I have taken my tax-free cash sum and I draw an income from the balance of the fund. What happens to this if I die? – K.G., Keith.

Hazel said: Your surviving spouse would be entitled to retain the pension fund and draw an income as you have done. Alternatively they could use the fund to buy an annuity. They have the option to take the residual fund as a lump sum less 55% tax. If you have no surviving spouse, then the residual fund can be returned to your estate or named beneficiaries, less 55% tax. Depending upon the size of your estate there could be a further charge to Inheritance Tax (currently 40%). You should seek advice from a qualified solicitor regarding ways to mitigate any inheritance tax liability.

I am concerned about the costs of long-term care and being forced to sell my home? – T.T., Tain.

Hazel said: There are many myths surrounding long-term care, particularly what will happen to the family home. Long-term care is a very complex area of advice and I would suggest seeking advice from a suitably-qualified adviser.

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