Janus Henderson INVESTORS

YOUR BIGGEST INVESTMENT

A GUIDE TO BUILDING YOUR FAMILY'S FINANCIAL FUTURE

Having the financial freedom to support your children in their life journey is a powerful thing.

YOUR BIGGEST INVESTMENT

Raising a family, and helping them to secure their financial future, really is a lifelong commitment. Having children helps you to see the world differently. They fill you with a new set of priorities, and a fresh sense of purpose. There will be ups and downs, highlights and low points, tears and joy. Above all, children have a way of reminding us of what's really important. And as parents, planning and investing for your children's future can provide them with a solid financial grounding and give them a chance to leave behind a lasting legacy.

Every parent wants the very best for their children, whether that means paying for their education, helping them save up for their first home, or just being there to give them a hand – and some words of encouragement – when they need it.

Having the financial freedom to support your children in their life journey is a powerful thing. You get to help them become the people they choose to be. And when it comes to looking after their future, it's the financial decisions you make today that will support their plans for the years to come.

In this guide, you'll find all you need to help you move from planning your children's financial future to investing in it. You will get an insight into some of the financial decisions you will face, the different options for saving – and how to start investing now.

In addition, we will explore how you can prepare for the unexpected and how investment trusts can play a crucial role in building your family's financial future.

CONTENTS

Building your family's future with Janus Henderson

Looking after your most valuable 'asset'

What future do you want for your children?

Saving for the future: your options

Being prepared for the unexpected

Inheritance and estate planning

Looking after your own financial future

Why choose an Investment Trust?

BUILDING YOUR FAMILY'S FUTURE WITH JANUS HENDERSON

What do you want your family's future to be? For most parents, the answer is simple – you want to give your children the best head start you can, by providing them with security, flexibility, and if at all possible – financial freedom.

You may find investing gives you the best chance of growing your money and achieving your new life goals. It could help pay for educational fees, or build up a lump sum that your children can use to buy their first home. Investing can also help with those unforeseen costs that come with being a parent, because parenting is also about expecting the unexpected.

However, planning for your children's future shouldn't mean missing out on the life – and the retirement – that you want for yourself. Therefore, you must plan effectively and find the right balance.

At Janus Henderson, our mission is to help you achieve your financial goals – no matter how big or small. We have a range of 12 different investment trusts, with total assets valued at £7.4 billion.[1]
We invest in a wide range of countries, sectors, and assets to provide our investors with greater choice, diversity, and opportunity. Our expert fund managers have proven track records both regionally and globally, and actively manage our investment trusts to provide the best long-term returns we can for our investors.

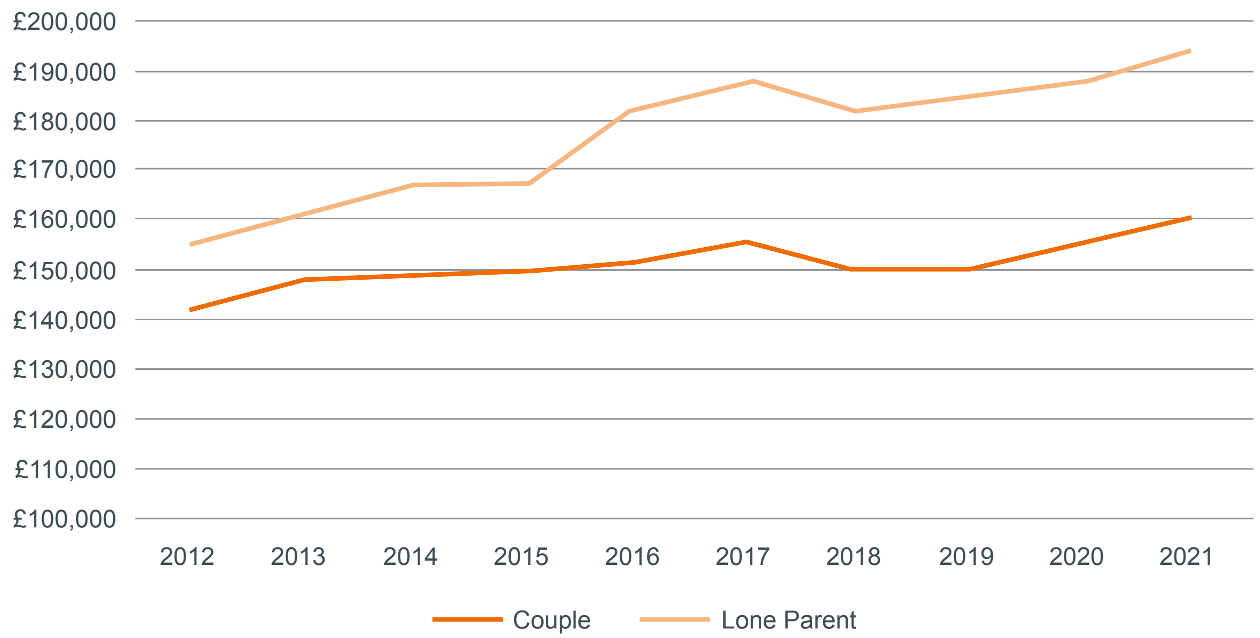
You can find out more about the investment trusts we offer by visiting our **investment trust landing page.**

LOOKING AFTER YOUR MOST VALUABLE 'ASSET'

What is your most valuable asset? It's not your home or your second home. And it's not your pension, your investments or your life savings. It's the one thing you want to protect at all costs – and for parents, that means your children.

Raising children is easily one of the most expensive things you'll ever do. Research suggests that in 2021, the average cost of raising a child from birth to adulthood (18) was £160,692 for a couple and £193,801 for a single parent or guardian.[2] Those figures don't include the costs of housing, childcare or council tax. In fact, the total cost of raising a child is at its highest since calculations started in 2012.

COST OF RAISING A CHILD TO AGE 18 FROM 2012 TO 2021 FOR COUPLES AND LONE PARENTS



Source: Child Poverty Action Group

For most parents, raising your children is just the beginning. You want them to thrive. And you want to give them the financial support that allows them to achieve everything they set out to do.

That might mean taking investment decisions now that have the potential to deliver positive outcomes long into the future, helping you to achieve targets like saving for education fees, or building up a large lump sum that will help your child accomplish their future life goals. Here we outline some of the areas to consider, the sums of money that will be required, and the investment options available to you. Because the sooner you start planning for that future, the better off you – and your family will be.

[1] Association of Investment Companies at 30 June 2022
[2] Child Poverty Action Group: https://cpag.org.uk/policy-and-campaigns/report/cost-child-2021

WHAT FUTURE DO YOU WANT FOR YOUR CHILDREN?

Parents understandably want to give their children a head-start in life. But this will usually come with a financial cost. Here are just some of the financial challenges that parents often face.

PRIVATE EDUCATION

A private school education is easily one of the most established ways of investing in a child's future. Many parents feel a private education can help a child to develop their social skills, build valuable connections, achieve a higher standard of education, and attain better exam results.

But the best education money can buy will almost certainly put a dent in your finances. According to the Independent Schools Council (ISC), the typical fee to attend a private day school is £5,218 per term or £15,655 per annum, a rise of 3.1% on 2021.[3] This doesn't take into account the day-to-day costs of school, such as school uniforms, sports equipment, music lessons or school trips.

Boarding school fees will be significantly higher, with average costs of £12,344 a term. This works out at just over £37,000 a year according to the ISC.[4] Fortunately, there are some ways to reduce costs, such as bursaries (which are means-tested) or scholarships, which are made available to exceptionally talented pupils.

All-in-all, if you want to privately educate your child throughout their school years, you should expect to pay between £150,000 and £200,000 (to attend a day school) and likely double that for a boarding school.[5]

UNIVERSITY EDUCATION

Private education isn't for every child, but there's a good chance you'll want them to go to university. Studying for a degree gives students the chance to gain in-depth knowledge on a particular subject – and then sets them up for a career in their chosen field.

A university education also gives students the chance to develop invaluable life skills – everything from critical thinking, problem-solving, communication and teamwork. It also can be the place where your children discover themselves and make lifelong friends.

But a university degree doesn't come cheap. A three-year course costs an average of £9,250 per year in tuition fees alone, which works out at £27,750 over three years. That doesn't include accommodation and living expenses, which could cost another £12,000 to £15,000 each year, depending on which university they attend.[6] Again, there are ways to ease the financial burden. Student loans can be used to help pay for tuition fees as well as for maintenance (living) costs. And in some circumstances, students can apply for grants.

INVESTING FOR YOUR CHILD'S FIRST HOME

One of the biggest financial considerations for parents now is whether they can give their children a leg-up on the property ladder, either by helping them pay their living expenses or giving them a deposit to buy a place of their own. It's become so commonplace that 'the bank of mum and dad' is one of the UK's biggest mortgage lenders![7]

In May 2022, the average house price stood at £283,000, some £32,000 higher than in May 2021.[8] Most lenders expect first-time buyers to have a deposit of at least 10% (although 20% would grant access to better mortgage deals). This means giving your child a boost-up on the property ladder could require a lump sum of around £30,000, depending on the size of the property and its location. That doesn't include Stamp Duty or other costs associated with buying a property.

Most parents give this money to their children as an outright gift, although some describe it as a 'no interest' loan, and some will ask their children to eventually repay the loan out of the future equity of the house, and pay back interest on any money borrowed.

HELPING YOUR CHILD GET THE MOST OUT OF LIFE

Even if your child doesn't go to university, or doesn't need a house deposit, many parents still see it as their personal responsibility to be there for them financially. Maybe that means paying for driving lessons and buying them their first car, paying for a wedding or holidays, giving them the support to follow their dreams, or just helping them to get by. Investing early should help to grow that money over time, hopefully building up a meaningful sum for whenever your child needs it.

[3] https://www.isc.co.uk/media/8421/isc_census_2022_final-v2.pdf Figures represent average weighted fees per term.
[4] https://www.isc.co.uk/media/8421/isc_census_2022_final-v2.pdf
[5] Source: calculations are estimates based on average annual costs for private education between ages 5-16
[6] https://www.ucas.com/finance/undergraduate-tuition-fees-and-student-loans
[7] https://www.bbc.co.uk/news/business-49477404
[8] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/may2022

SAVING FOR THE FUTURE: YOUR OPTIONS

When it comes to your family's future, the sooner you start saving, the better. You can also use an online savings calculator – such as the one on the **Money Savings Expert** – to estimate how much you need to set aside over various time periods to achieve your financial goals. But it's just as important to consider the different types of investment options available to you and your children.

INDIVIDUAL SAVINGS ACCOUNTS (ISAs)

First introduced in 1999, ISAs remain the most popular way for UK adults to invest. According to the Office for National Statistics, by the end of the 2020/2021 tax year, the market value of Adult ISA holdings stood at £687 billion.[9] You can invest up to a maximum of £20,000 into ISAs each tax year, and there's no tax to pay on any income or capital gains you make. There are four different types of ISA to choose from:

- **Stocks & Shares ISA:** which lets you invest in individual company shares, bonds and pooled investments like investment trusts
- **Cash ISA:** savings accounts that pay a tax-free rate of interest
- **Innovative Finance ISA:** which let you invest in peer-to-peer lending platforms
- **Lifetime ISA:** which lets you save up to £4,000 a year towards a first home (provided you're between the ages of 18-39)

Cash ISAs are still highly popular with UK savers, despite the damaging effect that high inflation has on the value of cash savings. For long-term growth potential, Stocks & Shares ISAs remain the most popular option with UK investors. They can make withdrawals whenever they choose, and can invest in their ISA alongside their pension. However, for some people, the annual limit of £20,000 is a drawback.

If you're thinking about making ISA investments to pay for school fees, you might want to consider investment trusts that offer an element of income as well as growth. This income can then be withdrawn at regular intervals and used to pay for school fees. If you're thinking about investing to accumulate a large lump sum, a house deposit for example, you might prefer investments that focus on achieving long-term growth. While equity investments might be more volatile in the early years, they are designed to deliver the best returns over a longer period.

JUNIOR ISAs

After you've reached the maximum annual amount you can pay into your ISA, you might want to consider opening a Junior ISA (JISA) for your children. A JISA works in a similar way to an adult ISA, including offering tax-free capital growth and interest, and is a great way to make a long-term investment on a child's behalf.

A JISA must be opened and managed by a parent or guardian, and is held in the name of the child. The child can take control of the account when they are 16, but they are not able to access the investments (or make withdrawals) until they reach 18, at which point the JISA converts into an adult ISA. There are Cash JISA and Stocks & Shares JISA options to choose from, and parents, friends and family can make JISA contributions of up to £9,000 each tax year.

JUNIOR PENSIONS

If you want to think really long-term about your child's financial future, you could consider opening a junior pension in their name and manage the investments on their behalf. A junior pension is also a great way for grandparents to make a financial contribution that will last much longer than giving them cash gifts.

You can choose to set up either a Self-Invested Personal Pension (SIPP) or a stakeholder version. The maximum amount you can invest into a junior pension is £2,880 each tax year, but the UK government will add a further 20% in tax relief, taking the total invested to £3,600. This means that the money invested can benefit hugely from the power of compound interest, where even making small contributions early on results in a significantly larger pot over time. However, while a junior pension can benefit from decades of investment growth, just as with any pension, the money invested cannot be accessed until the pension owner reaches the age of 55.

If you're planning to open a junior pension on behalf of your child, time is definitely on your side. You should take the opportunity to consider higher risk investments that offer the potential to deliver strong growth over several decades. That way, the investment should be able to ride out those short-term periods of stock market volatility.

[9] https://www. gov.uk/government/statistics/annual-savings-statistics-2022 /commentary-for-annual-savings-statistics-june-2022

BEING PREPARED FOR THE UNEXPECTED

Family life is bound to have a few unexpected ups and downs along the way. These can include job insecurity and redundancy, separation and divorce, the death of a spouse, or having to look after elderly parents. While it can be difficult to predict what the future holds, you can put some plans in place should the worst happen.

LIFE INSURANCE

Having children is the ideal time to think about life insurance. Nothing can compensate for losing a life partner, or a parent for that matter, but a life insurance policy could ease the financial burden that would occur if one day your loved ones had to raise your children without you.

A life insurance policy will pay out a lump sum in the event of your death, which can be used to cover any existing financial commitments, such as a mortgage. When taking out a life insurance policy you should also factor in all of the other costs associated with the family, including childcare, education and general living expenses.

Provided you're in good health, the earlier you take out life insurance, the cheaper the premiums will be. You should increase your amount of life cover as your family grows.

If you're in a relationship, you should consider a joint life insurance policy. This type of policy is usually cheaper, but the policy will only pay out once during the policy term – when the first person dies. After, the surviving partner must take out a new individual life insurance policy.

OTHER INSURANCE POLICIES

While you're thinking about protecting your family's future, you might also want to consider other protection policies designed to pay out if you're no longer able to work through no fault of your own.

For example, a critical illness policy is designed to pay out a pre-agreed lump sum should you be diagnosed with a life-threatening illness.

Income protection policies can pay out a replacement income for a specific period if you find yourself out of work or unable to work

You might also consider taking out private health insurance which give you fast access to specialist healthcare and help to cover expensive diagnostic and medical treatment bills. This can be particularly valuable if you suffer from a long-term illness or injury.

However, choosing the right protection policies can prove unexpectedly complicated. For example, some critical illness policies cover certain types of cancers and not others. This means it's a good idea to seek professional advice about the most appropriate type of insurance policies to suit your medical history and your family's circumstances.

And if you own some insurance policies already, now might be a good time to review these policies and to make sure they fully reflect your status – and current financial obligations – as a parent.

WRITING A WILL – AND APPOINTING A GUARDIAN

Having an up-to-date will is also an essential part of modern parenting. Not only does having a will mean that your assets will be distributed according to your wishes in the event of you death, but it also means you can appoint a legal guardian to look after your child.

Appointing a guardian means you can choose who has full parental responsibility over your child, and that person will be legally required to always act in your child's best interests. It is also a good way to prevent any legal disputes

among family members as to who should take responsibility for looking after your child.

Anyone over the age of 18 can be appointed as your child's legal guardian in the event of your death. Most people choose a family member or close friend. You can also choose more than one guardian in case circumstances change.

ARRANGING A LASTING POWER OF ATTORNEY

While you are arranging your will and legal guardianship, it's also a good idea to officially set up a Lasting Power of Attorney (LPA). This lets you appoint one or more people to make financial or health-related decisions on your behalf, in the event that you have an accident or illness that leaves you mentally incapacitated or unable to make those decisions for yourself.

There are two different types of LPA: one focuses on decisions relating to your health and welfare, the other focuses on decisions related to your financial affairs, including any property you own. Such decisions can either be short-term or long-term in nature, but the person you appoint has to make decisions in your best interest.

Giving someone power of attorney over doesn't mean you lose total control over the decisions that affect you, but it could make life less complicated, time-consuming and expensive for your loved ones if one day they need legal permission to act on your behalf.

FINANCIALLY COPING WITH DIVORCE

Divorce is difficult to deal with at the best of times, and the entire process can be incredibly hard on children. Whether the decision to go separate ways is taken by you or your spouse, it will always be one of the most emotionally draining – and expensive – experiences anyone can go through.

While people now understand the value of using a solicitor to work through the legal aspects of their divorce, it can be just as useful to talk to a professional financial planner, especially if you have more complicated financial arrangements that could take time – and money – to resolve.

For example, one of the toughest aspects of any divorce involves deciding what to do with the family home. People often become highly attached to keeping the family home during divorce, especially where children are involved. In some cases, the better course of action is to sell the family home, buy something more affordable, and take a slice of the pension instead.

Of course, this may not always be the right choice for everyone, which is why seeking professional advice based on your own personal circumstances is essential. Divorce often seems like the end of a chapter, but it can also be the beginning of an exciting new period, one that lets you take charge of your own finances, establish your own personal goals and focus on the things that matter to you most.

INHERITANCE AND ESTATE PLANNING

Most of us want to leave something behind for our loved ones after our death, but it's important to have an understanding of Inheritance Tax, and whether it could have an impact on the value of your estate. Estate planning can help to make sure more of your estate is left to your loved ones, rather than the taxman.

HOW INHERITANCE TAX WORKS

After your death, the total value of your estate will be added up, minus any debts or liabilities you owe (including any mortgage, loans or credit card debt).

Everyone has an Inheritance Tax-free threshold of £325,000 (known as the 'nil-rate band'). If your estate is valued at less than this amount, there's no inheritance tax to pay, and the full estate can be passed to your beneficiaries (the people you choose to leave your estate to). However, if your estate is valued above £325,000, your beneficiaries can expect to pay Inheritance Tax of up to 40% on everything over that threshold.[10]

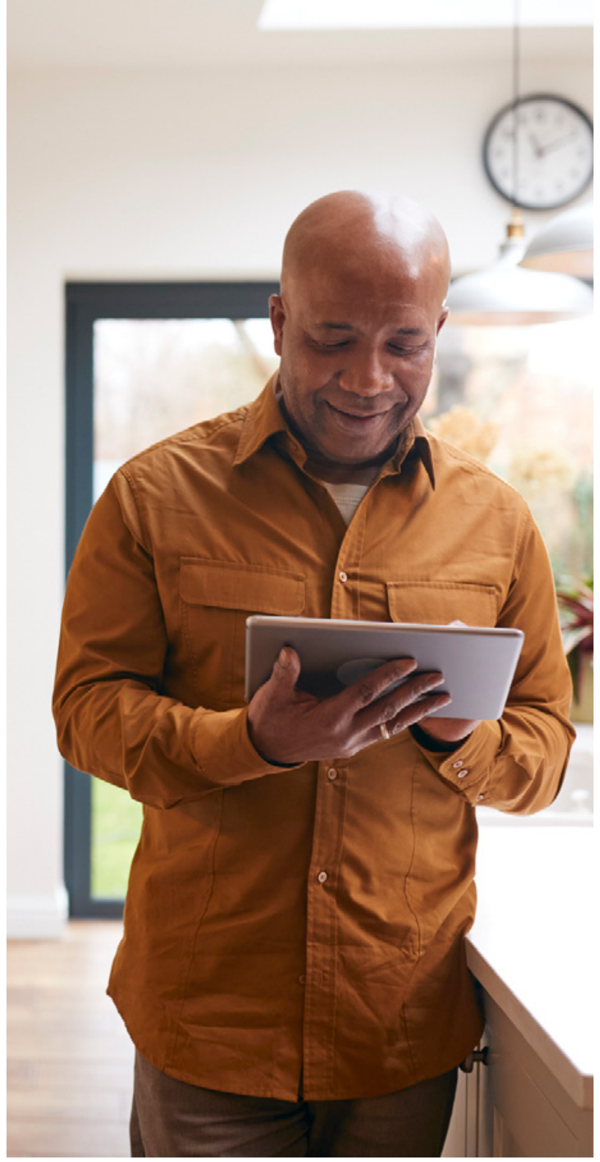
Inheritance Tax doesn't apply in all circumstances. So, if you are married or in a civil partnership, there's no Inheritance Tax to pay on your estate as long as you have left it all to your spouse or civil partner. But there may be an Inheritance Tax bill if you leave some of your estate to other family or friends.

Leaving all of your assets to a spouse or civil partner doesn't use up the nil-rate band. This means that when the surviving spouse or civil partner dies, their estate benefits from your combined nil-rate band of £650,000 before any Inheritance Tax is payable.[11]

Alongside the nil-rate band, there is also another Inheritance Tax allowance known as the 'main residence nil-rate band'. Provided you leave your home to a direct descendant (a child or grandchild), your estate can claim up to an additional £175,000 of tax relief on top of the nil-rate band.[12]

In practice, this means a married couple with children can combine their nil-rate bands and make use of the main residence nil-rate band to claim Inheritance Tax allowances of up to £1 million on the value of their estate (£325,000 x 2, plus £175,000 x 2 = £1 million). However, in instances where the total value of the estate is worth more than £2 million, the main residence allowance is reduced by £1 for each £2 above that amount.[13]

Every year, thousands of bereaved families are left with an unexpected Inheritance Tax bill that significantly reduces the value of their inheritance. Inheritance Tax rules are complicated, so it's well worth speaking to a professional financial adviser or wealth manager who can assess your personal situation. They should be able to recommend effective estate planning strategies that reduce or eliminate the amount of Inheritance Tax your family can expect to pay.



PUTTING MONEY INTO TRUST

Placing assets into trust is one of the oldest forms of estate planning. Trusts are particularly useful to ensure large sums of money are being managed for future generations, and they can be a very effective way of keeping control over significant assets, even when you are no longer around to do it yourself.

For example, a bare trust can be created to ensure that assets are managed by trustees on behalf of a child until they are 18. Parents can also arrange for a trust if their child is disabled or vulnerable, or may not be capable of looking after themselves when they are older. A trustee can be appointed who will distribute sums of money from the trust to pay for care costs or treatment, or special education needs. A discretionary trust can also be used in circumstances where you do not want the child to have control of the assets until later in life.

[10] https://www.gov.uk/inheritance-tax
[11] https://www.gov.uk/inheritance-tax/passing-on-home
[12] https://www.gov.uk/inheritance-tax/passing-on-home
[13] https://www.gov.uk/inheritance-tax/passing-on-home

LOOKING AFTER YOUR OWN FINANCIAL FUTURE

Parents spend much of their time putting their children first, and this often comes with having to sacrifice their own needs. Most people would rather spend every spare penny on their child before spending on themselves.

For example, at times when your finances are feeling overstretched, it can be tempting to reduce the amount you invest or contribute into your pension, and use that money on day-to-day outgoings instead. But it's not a sound financial approach. You only have a few short years to build up your retirement pot, and if you sacrifice your retirement planning today, you're only passing on the burden of paying for your retirement further down the line.

In fact, you could be heaping the problem to your children, who may end up having to pay for your care costs in later life. You deserve to spend your retirement years doing everything you want to do, so don't stop planning for your future in those all-important years when you are still able to make pension contributions.

As far away as it may seem right now, it's important to plan for your financial future and think long and hard about what you want your retirement to be. Because it's your life, and no-one else can plan it for you.

When you're ready, our retirement guide: ***'What to do when you hit the big 5-0'*** is a great place to get some smart ideas around retirement planning. It covers the different investment options available to you, outlines all of the risks involved, and even includes a retirement planning checklist to help you get started.

There are many ways of investing for retirement, and investment trusts are one of the most popular choices. Details of how to invest in our investment trusts, along with articles, insights and videos, can also be found on our dedicated **Retirement Planning Hub.**

WHY CHOOSE AN INVESTMENT TRUST?

In challenging market conditions, it makes sense to invest in something you can trust. Investment trusts have been around for more than 150 years, and feature some of the UK's longest-established and best performing funds. Many people consider investment trusts to be the investment industry's best kept secret.

Most investment vehicles are 'open-ended', which means their size depends on inflows and outflows of investor money. This means that when an investor wants to sell, the fund shrinks in size. In difficult market conditions, if lots of people move out of the fund, assets must be sold, potentially at a loss. However, an investment trust has a different structure. Because it has a fixed (or closed) number of shares in circulation, the trust's manager is not forced to sell assets if an investor decides to sell, which helps to preserve the capital value of the investment trust.

INVESTING FOR INCOME, GROWTH, OR BOTH

When people think about investing, they often think about trying to grow their money by as much as they can. This is certainly a good approach if you plan to invest over several years, or even decades, for example, when saving for retirement. Essentially, you're buying assets in the hope that they will increase significantly in value over time, even if this means those investments have a more volatile journey along the way.

However, some investments are designed to generate an income instead of focusing on growth. These types of investments usually hold lower-risk assets that pay consistent dividends. They are especially useful for investors who require a regular income, and would prefer a smoother investment journey with less volatile returns. And some investments aim to give you the best of both worlds, offering a combination of income and the potential for long-term growth.

Whether you want to invest for income, growth or both, it's important to make sure you're comfortable with the level of risk you're taking.

DIVIDEND HEROES

One of the main reasons investors are drawn to investment trusts is because of their outstanding record of paying consistent dividends.

Investment trusts don't have to pay out all the income they receive from their portfolios each year. This means they can keep back in reserve some of the income they generate during profitable years and use it to boost dividends during leaner times. This structural benefit has enabled investment trusts to pay consistently rising dividends through both good and bad years, a record that's unrivalled by open-ended funds.

The Association of Investment Companies (AIC), the trade body which represents investment trusts, publishes an annual list of 'Dividend Heroes' and 'Next Generation Dividend Heroes'. These are investment trusts that have increased their dividend pay-outs for more than 20 years and 10 years, respectively, in a row.[14] Several investment trusts within the Janus Henderson range are in both categories – reflecting the quality of their investment offering.

Like other types of funds, investment trusts are grouped into different sectors which describe the geographical area and type of asset in which they invest. The AIC maintains over 30 different sectors, including UK Equity Income, Global Smaller Companies, Real Estate, Technology & Media, and Private Equity, to name just a handful. So, whatever your attitude to risk, regional or sectorial focus, you'll find an investment trust that suits you.

[14] https://www.theaic.co.uk/income-finder/dividend-heroes

YOUR RISK APPETITE

With any investment, it's important to understand where your money is being invested, and that you're comfortable with the level of risk you're taking. If you're planning to invest over several years, for example, to help your child save for a house deposit, you might want to consider an investment trust with an emphasis on long-term growth. But if you would prefer an investment trust at the lower-end of the risk spectrum, or one that offers a blend of income and growth, there are plenty of options available.

When choosing where to invest, and with which investment manager, it's important to consider established companies – with a solid reputation and good performance track record –that offer a comprehensive range of investments. If you want to know more about Janus Henderson, take a look at our dedicated **Investment Trust range**, which should tell you everything you need to know about how seriously we take managing our investors' money.

HOW TO INVEST

Investment trusts can be held within ISAs, JISAs and junior pensions, and you can invest in Janus Henderson investment trusts via several different fund and share dealing platforms including Hargreaves Lansdown, Charles Stanley, AJ Bell and Interactive Investor. You can find all the information you need – including the different investment trusts we offer as well as fees and charges – on our dedicated **'How to invest'** webpage.

TALK TO A PROFESSIONAL

When it comes to making big financial decisions, we always recommend talking to a qualified adviser, such as an independent financial adviser (IFA) or wealth planner. They can help to determine your long-term financial objectives. They can also help to establish your attitude towards risk and recommend the right investments to suit you and your family's needs.

FURTHER HELP

Here are some useful links for parents looking to start investing:

- **Financial advisers and planners** – Money Helper is a free government service that can help you identify and choose an independent financial adviser, a financial planner, and other types of advisers. Visit **Money Helper.**
- **Savings calculator** –to get an idea of how regular savings can build up over time, visit the savings calculator on the **Money Savings Expert website.**
- **Private education** – to find out the costs of independent private schools near you, visit the **Independent Schools Council.**

START BUILDING YOUR FAMILY'S FINANCIAL FUTURE NOW WITH JANUS HENDERSON INVESTORS

You can find further information on planning and investing for your family via our **Biggest Investment Hub.**

To find out more about each of our trusts, their performance and strategies, view our **full range of Investment Trusts.**

Important Information