Are you lying awake at night worrying about the size of your mortgage, the financial security of your children or retirement savings? IWONA TOKC-WILDE asks the experts for their advice

YOUR MONEY WORRIES SOLVED

Q When it comes to personal pensions, the law always seems to be changing. What should I be doing and when?

A There are a couple of golden rules to saving for retirement, says Steve Meredith, pensions specialist at NFU Mutual, "It's never too early, or late, to start saving."

How much you should be setting aside each month depends on your personal circumstances. "To get a basic idea, think about when you'd like to retire and how much you'll need to live off," says Steve. You can then plug the figures into an online pensions calculator like the one at Scottish Widows, although you could be shocked by the results, especially if you haven't started saving yet. For example, if you want to retire at 65 with an annual retirement income of £10,000 and if you were to start saving today, you may need to set aside as much as £544 per month if you're now 40, or an even more staggering £1,064 per month if you are 50. But who can actually afford to save that much money each month?

Most people save as much as they can afford, while experts recommend putting aside between 10 and 12% of your salary, increasing as you get older. "The good news is you can access your personal pension from the age of 55, either to wind down your career or give up work entirely," says Steve. "The Government offers generous tax relief, too – for every £80 you invest in a personal pension, the Treasury will contribute a further £20."

Q Our fixed-rate mortgage ends in a couple of months. Can I remortgage without having to pay a hefty arrangement fee?

A These days, you need to keep your wits about you – while mortgage interest rates are at an all-time low, the fees have soared. In fact, according to financial researchers Moneyfacts, they are now at a 25-year high.

Arrangement fees vary between lenders, too – the average fee is about £1,000, but you can get charged up to £2,000. "Accepting what your existing lender offers you can be an expensive way to re-mortgage, so shop around using our impartial Mortgage Comparison Table," says Jane Symonds of the Government's financial advice website, The Money Advice Service (moneyadviceservice.org.uk). You pay the fee up front or add it to the mortgage, although adding will cost you more in the long run, as you'll have to pay interest on the fee over the life of the loan.

You can get a mortgage deal with a low fee – between £100 and £300 – or even with no fee at all, but the interest rates on these deals tend to be higher. So, which is best for you – a low or no-fee deal with a higher rate, or a lower rate deal with a high fee? It depends on the amount you want to borrow and for how long. If your mortgage is relatively small, or the term short, you may be better off going for a low-fee/higher interest rate mortgage. If you're borrowing more for longer, consider a lower rate/high-fee option.

Q We were recently contacted by a legal firm who advised us to set up a trust so that our house can't be used to pay care home fees. What's the catch?

A Care home fees vary by location, but average over £28,000 a year. Currently, you must pay fees in full, with no help from the council, if your assets, including your home, are worth more than £23,250. This could mean you have to sell your house and your children could be saying goodbye to their inheritance.

That's why some people try to reduce their assets before going into care, for example by putting their house into a trust for their family, so it's no longer held in their name. "These 'asset protection trusts' must be approached with caution," warns Jessica Schock from law firm Thomas Eggar. "When assessing your finances, your local authority will consider whether the property has been placed in trust specifically for the purpose of avoiding care fees and may refuse funding, or attempt to recover the property."

The trust isn't a good idea if you have a pre-existing condition, for example if you've had a stroke or suffer from a condition such as Parkinson's at the time of the transfer, warns Jessica, "The shorter the time between the transfer and entering the care home, or if you develop an illness at the time of the transfer, the greater the risk that the transfer will be challenged." So, it's possible you take this step in vain and end up out of pocket, too – fees for these trusts can run into thousands of pounds and there could be an Inheritance Tax charge.

Q Our bank convinced us to swap to their fee-paying bank account, with the lure of lots of free perks. But I can't see that we're actually getting anything for the money. What are the pitfalls and how do you get out?

A "The typical monthly fee for this so-called packaged current account is about £15, although at the premium end it can be as much as £40," says David Black from Consumer Intelligence Ltd (consumerintelligence.com). This is what it'll cost you to get the 'free' perks – travel insurance, mobile phone insurance, motor breakdown cover, airport lounge access or commission-free foreign currency. "The perks can also include discounts or exclusive deals on the bank's products," adds David.

But if you're not careful, you could be forking out for benefits you don't actually need or cannot use. "If you go skiing, does the travel insurance cover winter sports? Does it cover your spouse and your children?" asks David. You may also end up paying for something you already have in place, but have forgotten about. "If you've bought a new car, it may have come with free breakdown assistance, or you may have travel insurance through your employer," says David. And in many cases you could buy some of the products cheaper elsewhere.

If you want to close the fee-paying account or switch back to a regular current account, check the contract term. "Some packaged accounts have a minimum term of one year, but others are far more flexible," says David. The process of switching is straightforward, though. "Your bank must do it within seven days," adds Jane Symonds of The Money Advice Service.

Q My young daughters always receive money for Christmas and birthdays. What's the best thing to do with cash gifted to young children these days?

A "It all depends on when you think they will want to use, or benefit from, the money," says Sean McCann, personal finance specialist at NFU Mutual. "In the short term, you could put the cash in a savings account where you are the trustee and use the money to buy what she needs." With current interest rates though, you won't see the savings grow by much.

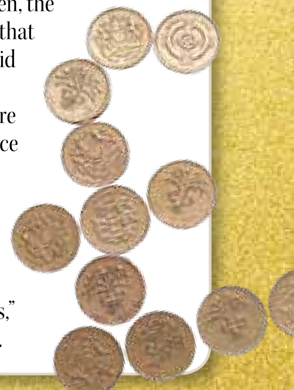
You could consider a longer-term investment such as a Junior ISA (JISA), which will keep the money locked away and the nest egg growing tax-free until your daughters turn 18. A Junior ISA is a children's version of an Individual Savings Account and, just like the grown-up version, there's a Junior Cash ISA and a Junior Stocks and Shares ISA. You can invest up to £3,720 in Junior ISAs during the current 2013/14 tax year and £3,840 in the new tax year starting on 6 April.

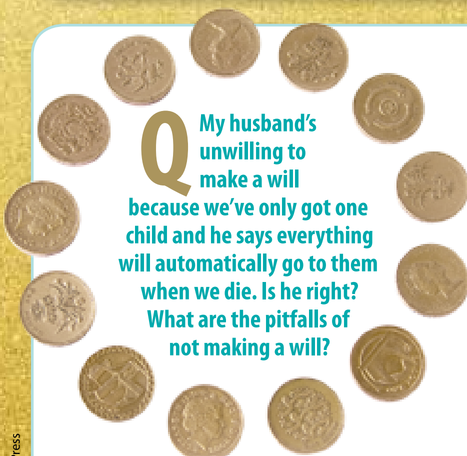
Or, you can use the money to start a pension for your daughter. "She won't be able to touch the money until she's 55, but it'll be one less thing for her to worry about when she reaches adulthood and others are playing catch-up with their retirement savings," says Sean. "The Government will contribute £20 for every £80 you invest, too," he adds.

Q I've heard that if your partner dies, the bank will freeze your account. Is there anything we should do so neither of us has to deal with financial difficulty should the worst happen?

A If you are not married and your partner doesn't leave a will, any personal account that he held in his sole name will be frozen. "This is because under the Intestacy Rules, which apply when there's no will, unmarried partners are not entitled to the deceased partner's assets," says Tony Crocker. This could cause you serious problems, especially if your partner was the one who paid all the bills, so making a will is paramount. "Putting the account into joint names when you are both still alive can also overcome this as most banks will not freeze a joint account," says Tony, as joint accounts legally pass to the surviving joint account holder.

Married couples have similar difficulties with sole accounts. "However, if the deceased had children, their spouse is entitled to inherit the first £250,000, so most banks will transfer the account if it contains less than £5,000 with some allowing up to £15,000 to be transferred without the need for probate," says Tony. If the sole account holds more than £15,000, it too will be frozen. "Once the account has been frozen, the only bills that can be paid before probate are Inheritance Tax and funeral director and Probate Court fees," says Tony.





Q My husband's unwilling to make a will because we've only got one child and he says everything will automatically go to them when we die. Is he right? What are the pitfalls of not making a will?

A Your husband is partially right. "If he dies first and without making a will, you'd currently inherit the first £250,000 and assets over this amount would be split between you and your child, held in trusts, and would not be available to you outright," says Jessica Schock from law firm Thomas Eggar. There are a few problems with this. "Your child will become entitled to receive their inheritance as soon as they reach 18, which you may feel is too young, and there will be ongoing costs of managing the trusts," says Jessica. Without inheritance tax planning, you and your child could be left with a 40 per cent inheritance tax bill, too, something that could have been mitigated potentially even down to 0 per cent (depending on the size of the inheritance) provided a will had been put in place. "On the second parent's death, the whole of the inheritance will pass to the child," says Jessica. But what if you both die when your child is still under age? "Making a will allows you to appoint a guardian for your child and select who will look after their inheritance," says Tony Crocker of IWC Ltd probate services. "Quite simply, making a will is about planning for, and protection against, different and unforeseen eventualities, like ring-fencing your money from being claimed by unwanted inheritors, for example a step family," he says.

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