RiverPeak Wealth

theview

SEPTEMBER/OCTOBER 2022

PUTTING LIFE ON HOLD

COST-OF-LIVING CRISIS DELAYS HOMEOWNERSHIP, HAVING CHILDREN AND RETIREMENT

INHERITANCE TAX RECEIPTS REACH £6.1BN
What if I could make my wealth more tax-efficient?

CASH MAY NOT BE KING
Deciding whether to withdraw cash from your pension pot

NAVIGATING THE HIGHER RATE TAX FREEZE
Minimising the impact on your personal finances

Tel: +44 (0)20 3770 9892 and +44 (0)1444 810845
email: info@riverpeakwealth.com web: www.riverpeakwealth.com

INSIDE THIS ISSUE

Welcome to our latest edition. Rising living costs have been so significant in recent months that most UK households will have noticed a squeeze on their monthly budgets. Not only does this have a direct impact on people's lifestyles, even though they are making every effort to cut back, but it has a knock-on effect on their lifelong goals such as owning a home or retiring comfortably. On page 07 new research highlights millions of people across the UK fear that the long-term impact of today's rising living costs could see their life goals delayed or even missed altogether.

Inheritance Tax receipts totalled £6.1 billion in the 2021/2022 tax year, up £729 million on the year prior. This 14% increase marks the largest single-year rise in Inheritance Tax receipts since the 2015/2016 tax year. The increase is the result of the ongoing freeze on the nil-rate Inheritance Tax band and residence nil-rate Inheritance Tax band has had. On page 05 we look at why making plans for Inheritance Tax is so important.

Choosing what to do with your pension is a big decision. On page 08 we explain how by making the wrong decision it could cost you heavily in the form of an unwanted tax bill, eventually running out of money in retirement and even a tax credits and benefits overpayment. So before you do anything, take a look at what you should consider.

If you're a higher-rate taxpayer, the freeze on the Income Tax threshold will have meant an increase in your tax bill. The reason for the increase stems from the chancellor's decision in April 2021 to freeze the higher-rate tax threshold rather than increase it in line with inflation. With inflation running at a 40-year high, pay increases will mean more people are being pushed into the higher-rate tax bracket. Read the article on page 34.

A full list of the articles featured in this issue appears opposite.

READY TO TALK ABOUT YOUR FUTURE PLANS?
Only by recognising and meeting your distinct requirements can we have a positive impact on your life and business. This is why we provide an extensive range of services, plus the ability to tailor solutions based on your specific needs. If you would like to discuss your concerns or requirements, please contact us. We hope you enjoy reading this issue.

CONTENTS

04
SELF-EMPLOYED EXTREMELY VULNERABLE TO LOSS OF INCOME
81% aren't seeking financial advice

05
INHERITANCE TAX RECEIPTS REACH £6.1BN
What if I could make my wealth more tax-efficient?

06
GREAT WEALTH TRANSFER
Preparing both 'the family' and 'the money' for the transition of wealth to the next generation

07
PUTTING LIFE ON HOLD
Cost-of-living crisis delays homeownership, having children and retirement

08
CASH MAY NOT BE KING
Deciding whether to withdraw cash from your pension pot

10
ARE YOU SAVING ENOUGH FOR RETIREMENT?
One in six over-55s have no pension savings yet

11
BRINGING PENSIONS TOGETHER
What to consider if you have multiple pension pots

12
HOW TO PROTECT YOU AND YOUR FAMILY'S FUTURE
What kind of protection insurance do you need?

14
BRIDGING THE GENDER PENSIONS GAP
Women left with half the pension pot, no matter the job

INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN YOU INVESTED.

CONTENTS

16
UNRETIREMENT
More over-50s returning to work amid cost-of-living crisis

17
COST-OF-LIVING CRISIS
Britons cutting back on food and entertainment to keep cars on the road

18
FUNDING THE LIFESTYLE YOU WANT
Get your retirement plans in motion

20
IT'S GOOD TO TALK
More young adults are more engaged about money with their parents than past generations

21
A HEALTHIER APPROACH TO RETIREMENT WEALTH
Pension schemes have a critical role to play in the transition to a net zero economy

22
HEALTH, WEALTH AND HAPPINESS OF A NATION
Overall wellbeing still not close to being back to levels seen pre-COVID

23
TEN TIPS FOR FIRST-TIME INVESTORS
Ready to get started on your investment journey?

24
WHEN SHOULD I STOP WORKING?
How to tell whether you're ready to retire

26
NEVER TOO EARLY TO PLAN AHEAD
Pension savers struggling to save enough for their later years

27
BANK OF GRANDMA AND GRANDAD
Older generation using the wealth held in their property to help younger generations

28
MIND THE RETIREMENT GAP
4 out of 5 workers not saving at levels which are likely to deliver an acceptable standard of living in old age

29
REEVALUATING THE ROLE OF WORK
Preparing your finances for a career break

30
LATER-LIFE AND FINANCIAL WELLBEING
More than one-million over-60's are rethinking later life plans

32
PENSION BOOSTER
Mistakes to avoid when you're aiming to build your pot

34
NAVIGATING THE HIGHER-RATE TAX FREEZE
Minimising the impact on your personal finances

SELF-EMPLOYED EXTREMELY VULNERABLE TO LOSS OF INCOME

81% AREN'T SEEKING FINANCIAL ADVICE

Self-employed people are at risk of financial hardship if they don't have sufficient provision in place. Without a regular income, it can be difficult to cover expenses and also save for the future. In many cases, the self-employed are unable to claim for many of the benefits that employees are entitled to, including statutory sick pay.

Being self-employed also means you don't have the luxury of having an employer to rely on for sickness cover or health insurance, which can make you extremely vulnerable to loss of income or unexpected financial shocks.

WITHOUT A REGULAR INCOME

So if you're self-employed, it's essential you're prepared for anything by having the right protection in place. According to new research, over half (57%) of self-employed workers in the UK rely on personal savings when they are not working, yet a worrying 81% aren't seeking financial advice[1].

Being self-employed can offer numerous benefits, such as flexible hours and the opportunity to work with a wide range of people, but self-employed workers can also face financial vulnerability. Over two-thirds (64%) of those who are self-employed in the UK revealed they are without a regular income, with just one in five (23%) receiving a monthly pay packet.

OWNING A BUSINESS

The research also found that almost half (48%) of self-employed people see their income fluctuate as a result of owning their own business, with a similar proportion (49%) putting this down to being a freelancer, contractor or consultant.

As the cost of living rises and private rents in the UK increase at the fastest rate in five years, a quarter (24%) of those surveyed said they only had enough money to cover such costs for three months if they were unable to work.

VULNERABILITY TO FINANCIAL SHOCKS

With the research highlighting the group's vulnerability to financial shocks and the importance of expert financial advice, one in three (31%) of those surveyed don't think they can afford professional advice, while one-quarter (24%) say they hadn't thought about seeking professional financial advice.

Not being eligible for Statutory Sick Pay (SSP) can prove a real problem for the self-employed and their financial resilience – during the pandemic, a fifth (21%) of all applications to the Test and Trace Support Payment scheme were from this group, according to a Freedom of Information request by The Community Union.

SECURE FINANCIAL PROTECTION

And while many have taken steps to secure financial protection for themselves and their families, 13% of self-employed workers in the UK still don't have critical illness cover or life insurance.

Of these respondents, just under a third (31%) said these forms of protection aren't a financial priority, one in four (25%) said they were prepared to risk not being covered, while a similar amount said they didn't require these policies (27%) or couldn't afford them (24%). ■

HOW CAN I PROTECT MY INCOME WHEN I'M SELF EMPLOYED?

When you're self-employed or a contractor, you get the perk of being your own boss, but you wave goodbye to traditional employee benefits like company sick pay. Getting income protection is one step you could take to provide a financial safety net if you're unable to work because of illness or injury. To find out more, get in touch.

Source data:

[1] The research was carried out online by Opinium Research across a total of 2,002 UK adults (Booster sample of 502 self-employed workers and 1,015 Renters). Fieldwork was carried out between 21–27 October 2021.

INHERITANCE TAX RECEIPTS REACH £6.1BN

WHAT IF I COULD MAKE MY WEALTH MORE TAX-EFFICIENT?

We all want to leave a legacy and make sure the ones we care about most are well taken care of when we're gone. That's why making plans for Inheritance Tax is so important, to have confidence that your children, grandchildren and those you hold dearest will be taken care of long into the future.

Inheritance Tax is a tax on the estate of someone who has passed away. The standard Inheritance Tax rate is 40% in the current 2022/23 tax year. Your estate consists of everything you own. This includes savings, investments, property, life insurance payouts (not written in an appropriate trust) and personal possessions. Your debts and liabilities are then subtracted from the total value of your assets.

PASSING ON YOUR MAIN RESIDENCE TO DIRECT RELATIVES

Every person in the UK currently has an Inheritance Tax allowance of £325,000 (frozen until April 2026). This is known as the nil-rate band (NRB). In 2017, an extra allowance was introduced to make it easier to pass on your main residence to direct relatives (i.e. a child or grandchild) without incurring Inheritance Tax. This allowance is currently £175,000, known as the residence nil-rate band (RNRB), and is on top of the standard nil-rate band of £325,000.

A tapered withdrawal applies to the RNRB when the overall value of an estate exceeds £2 million. The withdrawal rate is £1 for every £2 over the £2 million threshold.

ALLOWED TO USE BOTH TAX-FREE ALLOWANCES

If you are married or in a registered civil partnership, you are allowed to pass on your assets to your partner Inheritance Tax-free in most cases. The surviving partner is then allowed to use both tax-free allowances. Provided the first person to pass away leaves all of their assets to their surviving spouse, the surviving spouse will have an Inheritance Tax allowance of £650,000 (£1 million if they are eligible for the RNRB).

According to recent figures released by HM Revenue & Customs (HMRC), more estates in the UK are now paying Inheritance Tax than ever before[1].

PAYING INHERITANCE TAX UNEXPECTEDLY

Inheritance Tax receipts totalled £6.1 billion in the 2021/2022 tax year, up £729 million on the year prior. This 14% increase marks the largest single-year rise in Inheritance Tax receipts since the 2015/2016 tax year. The increase is the result of the ongoing freeze on the nil-rate Inheritance Tax band and residence nil-rate Inheritance Tax band.

Many more families are finding the total value of their estate – driven by a rapid growth in house prices, savings and other assets – is likely to be above £1million at the point of death, meaning many more estates could end up having to pay Inheritance Tax unexpectedly.

START CONVERSATIONS WITH YOUR LOVED ONES

In the 2019/20 tax year, there were 23,000 such deaths, up 4% on the year prior[1]. Given this data only covers to the start of the pandemic, this number is likely to have risen considerably over the past couple of years as asset prices grew.

With many more estates likely to be subject to an Inheritance Tax bill, it remains important that you have a conversation with your loved ones sooner rather than later so that you all fully understand your estate, the value of it and the potential to pay an Inheritance Tax bill.

SAVE YOUR FAMILY THOUSANDS OF POUNDS

When discussing your Will and any potential Inheritance Tax liability, there are things that can be put into place to mitigate or reduce a future payment.

That's why planning for Inheritance Tax is a fundamental part of financial planning. It could potentially save your family thousands of pounds in Inheritance Tax payments when you die and ensure that your wealth is preserved for future generations. ■

WHAT WILL YOUR LEGACY LOOK LIKE?

We understand every situation is unique. We'll help you to identify any specific issues and recommend the changes needed to help you meet your long-term wealth protection goals in the most tax-efficient manner. To find out more, please speak to us.

Source data:
[1] https://www.gov.uk/government/statistics/inheritance-tax-statistics-commentary/inheritance-tax-statistics-commentary

GREAT WEALTH TRANSFER

PREPARING BOTH 'THE FAMILY' AND 'THE MONEY' FOR THE TRANSITION OF WEALTH TO THE NEXT GENERATION

If you want to pass wealth on to your children and grandchildren, it's wise to contemplate when it might be best to make that gift. Should you transfer wealth during your lifetime—or after?

Some people may find compelling reasons to avoid giving away wealth during their lives. They think that transferring substantial portions could mean they might not have enough to maintain their lifestyles; their beneficiaries might not use the wealth wisely, or at least in a way they'd want it used; and wealth might end up outside the family because of a child's divorce or other misfortune.

SENSITIVE TOPIC

Understandably, money can be a sensitive topic even among the closest of families. But you will have a better chance of passing on assets tax-efficiently in a way which is acceptable to all family members if you discuss and plan how to do this.

There are a number of considerations to take into account when deciding when the best time is to transfer wealth to your family. These include your age, the age of your beneficiaries, the value of your estate, the types of assets involved, tax implications and your personal circumstances.

NEXT GENERATION

Transfers made during your lifetime may be subject to Inheritance Tax, depending on the value of the assets involved. Gifts made more than seven years before your death are usually exempt from Inheritance Tax. Also the value of assets can change over time, so it's important to consider this when making a transfer. For example, property values can go up or down, and investments can become more or less valuable.

Your personal circumstances will also play a role in deciding when to make a transfer. For example, if you need access to the money yourself, then it may not be the right time to transfer wealth to your family. Alternatively, if you're looking to pass on your business to the next generation, then you'll need to consider when is the best time for them to take over.

Here are four important considerations that should be a part of any family wealth transfer plan:

Age: One key factor to consider is your age. If you are younger, you may have more time to accumulate assets and grow your estate. However, if you are older, you may want to consider transferring wealth sooner rather than later in order to maximise the amount that can be passed on to your beneficiaries.

Age of Beneficiaries: Another key consideration is the age of your beneficiaries. If they are young, they may not need the money immediately and it can be used to help them further their education or buy a property. However, if they are older, they may need the money to support themselves in retirement.

Value of Estate: The value of your estate is another important factor to consider. If your estate is large, you may want to consider transferring wealth sooner rather than later in order to minimise Inheritance Tax liabilities. However, if your estate is small, you may not need to worry about Inheritance Tax and can afford to wait until later in life to transfer wealth.

Types of Assets: The types of assets involved in the transfer of wealth are also important to consider. If the assets are liquid (such as cash or investments), they can be transferred immediately. However, if the assets are illiquid (such as property), it may take longer to transfer them.

ADHERING TO THE FAMILY'S VALUES AND VISION

Taking all of these factors into account will help you decide when the best time is for you to transfer wealth to your family, but it's important to discuss wealth transfer with them sooner rather than later to maximise your options.

Families must overcome many hurdles to ensure their wealth is protected and continues to accumulate over the generations while still adhering to the family's values and vision. ■

IS IT TIME WE HAD A TALK ABOUT FAMILY WEALTH TRANSFER?

Transferring wealth to the next generation is an ongoing process – and it is extremely important to keep talking as a family. Making a decision about when to transfer wealth to your family is also a personal one. It's important to seek professional advice to make sure that you're making the best decision for your circumstances. To discuss your family wealth transfer plans, please contact us.

PUTTING LIFE ON HOLD

COST-OF-LIVING CRISIS DELAYS HOMEOWNERSHIP, HAVING CHILDREN AND RETIREMENT

Rising living costs have been so significant in recent months that most UK households will have noticed a squeeze on their monthly budgets. Not only does this have a direct impact on people's lifestyles, even though they are making every effort to cut back, but it has a knock-on effect on their lifelong goals such as owning a home or retiring comfortably.

Millions of people across the UK fear that the long-term impact of today's rising living costs could see their life goals delayed or even missed altogether, according to new research[1]. Almost two-thirds (64%), the equivalent of 33 million people across the country, are concerned about the future due to the current state of their finances.

TACKLING RISING EXPENSES

Households are tackling rising expenses by turning off the heating (48%), reducing their grocery spend (37%) and even driving their vehicles less (24%). However, over half of UK adults (56%) feel they have already done everything they can to save money, while savings have also taken a hit. Nearly a third (30%) no longer have a 'savings buffer' to cover unexpected costs.

More than nine million potential homeowners – 48% of all people planning to purchase a home – now estimate they will need to delay this goal, with almost a fifth (18%) of this group expecting it will need to be delayed by five years or more.

WEDDING DREAMS DELAYED

An additional 12% of prospective homeowners now don't ever think they will own a home due to greater financial pressures. Dreams of getting married (7.2 million potential brides and grooms – 47%) and even parenthood (50% of those who plan to have a/another child – 6.8 million people) have also been delayed as a result.

FUTURE FINANCIAL SUPPORT

Parents who hoped to provide future financial support for their children are cutting back or scrapping their plans. Almost two in five (39%) people who planned to set a lump sum aside for their children now think they will have to delay this.

Almost a fifth (16%) do not see themselves ever being able to help out their children as a result, while 39% of people who had planned to give their children a deposit on their home now say they will delay this. Almost one in four of these parents (23%) say they will never be able to fund their children's deposit.

LONG-TERM GOALS

Longer term, 45% of people who had dreams for retirement anticipate that they will have to put them on hold. This is the equivalent of over 11 million people across the UK and includes 38% of people in the crucial decade before retirement who expect to delay retirement by at least a year, if not more. More than one in ten (12%) of people think they are never likely to retire.

Despite current challenges having such a fundamental impact on people's long-term goals, half of UK adults (52%) haven't sought guidance or support to better understand how to tackle their money woes. Those that have looked for help most commonly turn to price comparison websites (19%), their family (15%) or the news (12%). Only 7% (3.9 million people) have sought out professional financial advice.

PRESSURE ON FINANCES

One way to help ease the pressure on household budgets is to make sure that people are getting all the benefits and tax credits they are entitled to. There are a number of government schemes available which can help with things like childcare costs, housing costs and council tax. Make sure you are claiming everything you are entitled to by checking the government's website.

Another way to ease the pressure on your finances is to make sure you are getting the best deal on your essential bills. This includes things like your energy bills, your water bill and your broadband package. There are a number of comparison websites which can help you to find the best deals. It is also worth speaking to your current providers to see if they can offer you a better deal. ■

HEADING OFF DIFFICULTIES LATER DOWN THE LINE

Life is becoming unaffordable for many people due to the cost-of-living crisis. Obtaining professional financial advice is invaluable, especially when navigating more complicated financial situations, such as retirement. Seeking the right help now could head off difficulties later down the line.

Source data:

[1] Opinium survey of 4,001 UK adults was conducted between 27–31 May 2022 for Legal & General.

/// BEFORE YOU TAKE ANY CASH OUT OF YOUR PENSION, YOU NEED TO CALCULATE HOW MUCH MONEY YOU ACTUALLY NEED. DO YOU NEED A LUMP SUM OF CASH ALL AT ONCE? IF SO, WHAT ARE THE TAX IMPLICATIONS?

CASH MAY NOT BE KING

DECIDING WHETHER TO WITHDRAW CASH FROM YOUR PENSION POT

Choosing what to do with your pension is a big decision. If you've been saving into a defined contribution pension (sometimes called 'money purchase') during your working life, from age 55 (age 57 in 2028) you need to decide what to do with the money you've saved towards your pension when you eventually decide to retire.

However, making the wrong decision could cost you heavily in the form of an unwanted tax bill, eventually running out of money in retirement and even a tax credits and benefits overpayment.

So before you do anything, there are things you should consider. Note: this article doesn't cover pension schemes where the pension you'll be getting is worked out as a proportion of your pay.

HOW MUCH MONEY DO YOU NEED TO RETIRE?

Before you take any cash out of your pension, you need to calculate how much money you actually need. Do you need a lump sum of cash all at once? If so, what are the tax implications? Or would you be better off with a regular income stream?

Remember that retirement could be 30 to 40 years, or more. As well as what you'll need to cover everyday living expenses, do you have any specific plans for your retirement, such as regular holidays or enjoying a hobby? Or are you thinking of any big one-off purchases or expenditure, like a new car or home improvements? Once you know how much money you need, you can start to look at your options.

WHAT ARE THE TAX IMPLICATIONS?

Taking cash out of your pension can have tax implications if you withdraw more than your tax-free element (typically 25% of your pension). You can leave the rest invested until you decide to make more withdrawals or set up a regular income.

However, you need to make sure you understand those implications before you make any decisions. Otherwise, you could end up with a significant tax bill that you weren't expecting.

WHAT ARE THE FEES?

When you retire and start taking money out of your pension, you may be charged fees by your pension provider. Some pension providers will charge a fee for each withdrawal you make, while others may charge a flat rate or percentage of your pension pot.

There may also be other charges, such as an administration fee. Taking money out of your pension will also reduce the amount of income you have in retirement, so it's important to think carefully before you decide to take any money out of your pension pot.

HOW LONG WILL THE MONEY LAST?

Consider how long you'll need the money to last. If you take a lump sum of cash, it's likely that it won't last as long as if you take an income. This is something to keep in mind when you're making your decision.

WHAT IF YOU NEED MORE MONEY LATER?

If you take cash out of your pension now, it may not be there if you need it later on in life. This is something to consider if you think you may need more money down the line. Even if you've seen the value of your pensions fall that doesn't necessarily mean that you'll have to delay your retirement altogether.

Could you take less from your pension savings until their value recovers, and use other savings instead to bridge the gap? And could you put off any big purchases you'd planned?

WHAT ARE THE RISKS?

Taking cash out of your pension comes with risks. There's the risk that you could outlive your money, or that the value of your pension could go down. You need to make sure that you understand all of these risks before you make a decision.

OPTIONS FOR USING YOUR DEFINED CONTRIBUTION PENSION IN RETIREMENT

- Keep your pension savings where they are – and take them later.
- Use your pension pot to buy a guaranteed income for life or for a fixed term – also known as a 'lifetime' or 'fixed term annuity'. The income is taxable, but you can choose to take up to 25% (sometimes more with certain plans) of your pot as a one-off tax-free lump sum at the start.
- Use your pension pot to provide a flexible retirement income – also known as 'pension drawdown'. You can take the amount you're allowed to take as a tax-free lump sum (normally up to 25% of the pot), then use the rest to provide a regular taxable income.
- Take a number of lump sums – usually the first 25% of each lump sum withdrawal from your pot will be tax-free. The rest will be taxed as income.
- Take your pension pot in one go – usually the first 25% will be tax-free and the rest is taxable.
- Mix your options – choose any combination of the above, using different parts of your pot or separate pots.

UNDERSTANDING THE DIFFERENT OPTIONS

This is a very complicated topic and choosing what to do with your pension is one of the most important decisions you'll ever make and will impact on your future standard of living in retirement.

Worryingly, over a third (35%) of pension holders do not know about the different options available to them for when the time comes to retire, according to research[1]. ■

THINKING ABOUT ACCESSING YOUR PENSION POT?

These are just a few things to consider before taking cash from your pension pot. As you approach retirement, it's essential to understand what your options are and obtain professional advice, otherwise you could end up making a decision that you regret later on. For more information or to review your options, please contact us.

Source data:

[1] Online omnibus conducted by Opinium in June 2021 for LV – 4,000 representative UK adults surveyed nationally.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

TAX TREATMENT VARIES ACCORDING TO INDIVIDUAL CIRCUMSTANCES AND IS SUBJECT TO CHANGE.

ARE YOU SAVING ENOUGH FOR RETIREMENT?

ONE IN SIX OVER-55s HAVE NO PENSION SAVINGS YET

Despite the fact that the government has been trying to encourage people to save for their retirement through initiatives such as auto-enrolment, there are still too many Britons who have no pension savings at all. Research reveals that a fifth (20%) of people still have no pension savings at all, and people nearing retirement aren't doing much better[1].

Even prior to the cost-of-living crisis there have been a number of reasons why this might be the case. For some people, they simply may not be aware of the need to save for retirement. Others may not have enough spare income to put into a pension pot after covering their essential living costs.

MORE COMFORTABLE

However, the most common reason is people believe they will have plenty of time to start saving later on in life. But this is not the case. Even if you are in your 20s or 30s, it is never too early to start saving for retirement. The sooner you start, the more time your money will have to grow.

Findings also highlight the fact that one in six people (16%) who are within sight of their retirement still have no private pension savings, and consequently are missing out on the opportunity to make their life after work more comfortable.

ALARMING NUMBER

At least 17% of people in the UK aged 55 and over admit to having no pension savings (other than the State Pension), which is only slightly better than the average for Britons as a whole – 21% of whom say they have no private pensions.

What this research shows is that an alarming number of people are effectively 'sleepwalking' towards their retirement without adequate preparations. But, there are signs that as people grow older, they are becoming aware that a lack of pension savings is a problem – though perhaps not quickly enough.

PENSION DEFICIT

The issue is most visible among adults aged under 35. Nearly a quarter (24%) of this group claim to have no pension savings at all, despite being a generation to benefit from auto-enrolment into workplace pensions. After 35 this drops to one in five, and then to one in six for the over-55s. Clearly, people do start to save more as retirement draws nearer, even if they have missed out on the opportunity to save over many years.

Lack of pension savings is a particular issue for those not in full-time employment. Encouragingly, just 8% of respondents who worked full time said they had nothing in their pension. But among part-time workers this figure was one in four (24%), indicating that part-timers face a potential pension deficit when they retire.

WORRYING STATISTIC

The people worst affected tend to be those not currently working at all – whether because they are unemployed or because they are full-time parents. Nearly 60% of this group said they had no pension savings. Where this is because of full-time parenthood, the parent in question may be relying solely on their partner's pension in later life. This is a risky strategy, both because that pension may not be enough for both of them, and because of the risk of relationship break-up.

Another worrying statistic highlights that one in five people simply don't know how much they have in their pension savings. Curiously, this uncertainty grows rather than shrinks as people get older: while 14% of under-35s are unsure, this rises to 22% between the ages of 35 and 54, and then to 24% among the over-55s.

SUBSTANTIAL INCOME

It may be the case that many of those who think they have no pension savings are wrong, and that they do have pension pots from previous jobs (or even their current job) that they don't know about. The first step for anyone who thinks they are pension-less is to contact the government's Pension Tracing Service and search through their previous employers to see if they were ever a scheme member.

However, some people will reach the age of 55 (the earliest age that someone can access pension pots) and find that they genuinely have no pension savings. But this isn't a reason to give up and assume it's too late. Although a person close to retirement has a lower chance of saving enough to provide a substantial income, pensions can help your money to go a lot further. ■

READY TO DESIGN YOUR RETIREMENT?
There are a number of ways you can save for retirement, such as through a workplace pension or a personal pension. So if you haven't started, now is the time to do so. It may seem like a long way off, but the sooner you start saving, the better prepared you will be for your future. If you would like to discuss your situation or concerns you may have about a pension shortfall, please contact us.

Source data:
[1] Survey by Unbiased and Opinium of 2,000 non-retired UK adults, conducted June-July 2020.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

BRINGING PENSIONS TOGETHER

WHAT TO CONSIDER IF YOU HAVE MULTIPLE PENSION POTS

The employment landscape has evolved significantly over the last few decades and changing jobs multiple times before retirement is now very much the norm. But did you know, there is an estimated £9.7 billion of unclaimed UK defined contribution pension funds?[1].

Over time, it is easy to lose touch with pension savings providers as we change jobs, move home and the companies we have worked for change ownership or close down.

All these events over time may make it very difficult to find your valuable pension savings. So that means potentially ending up with a number of different pension pots. If you're one of the millions of people with multiple pensions, it may be appropriate to consider consolidating your defined contribution pension pots and bring them together.

NUMBER OF DIFFERENT PENSIONS

Even if you have not had many jobs, you could still have a number of different pensions to keep track of. If appropriate, pension consolidation can simplify your finances and make it easier to keep track of your retirement savings.

Having said this, not all pension types can or should be transferred. It's important to obtain professional advice so you know and can compare the features and benefits of the plan(s) you are thinking of transferring.

WHAT IS PENSION CONSOLIDATION?

Pension consolidation is the process of combining multiple pension pots into one single pot. This can be done with a pension transfer or by opening a new pension and transferring your other pensions into it. You may want to do this to make it easier to keep track of your retirement savings, or to try and get a better rate of return on your investment.

But there are a few things to consider before consolidating your pensions, such as any exit fees that may be charged, and whether or not you will lose any valuable benefits such as guaranteed annuity rates.

CONSOLIDATING YOUR PENSIONS

REASONS WHY YOU MIGHT WANT TO CONSOLIDATE YOUR PENSIONS

Simplify your finances: If you have multiple pension pots, it may be difficult to keep track of them all. Consolidating your pensions into one pot could make it easier to manage your retirement savings.

Save on fees: If you have multiple pensions with different providers, you may be paying multiple annual fees. Consolidating your pensions may help you save money on fees.

Get better investment options: Some pension providers offer a limited number of investment options. By consolidating your pensions it could give you access to a wider range of investments.

REASONS WHY YOU MAY NOT WANT TO CONSOLIDATE YOUR PENSIONS

Loss of valuable benefits: One key disadvantage is that you may lose out on valuable benefits that are specific to certain pension schemes. For example, some schemes may offer better death benefits than others, so consolidating your pensions into one pot could mean giving up this valuable protection.

Paying higher fees: Another potential downside is that some schemes may have higher charges than you are actually currently paying, which means you would end up paying higher fees. This is something that needs to be carefully considered before making any decisions.

More difficult to access: It's important to remember that once you consolidate your pensions, it may be more difficult to access them early if you need the money for an emergency. This is something that should be taken into account when making any decisions about pension consolidation.

LOCATE YOUR PENSION FUNDS

If you think you might have lost a pension pot from a previous job, you can use the government's Pension Tracing Service at www.gov.uk/find-pension-contact-details.This enables people to locate money previously saved for retirement, that is unclaimed. So, it is worth checking if you could have pension funds that have not been claimed.

Finally, one thing you also need to bear in mind is that pension savings are big targets for fraudsters. If someone contacts you unexpectedly offering to help you transfer your pot, it's likely to be a scam. If you're concerned, contact the Financial Conduct Authority (FCA) to check they're legitimate. ■

NEED PROFESSIONAL ADVICE TO HELP MAKE YOUR DECISION?
You only have one retirement so you don't want to make a costly mistake with your pensions that you could one day regret. Before you look to bring your pensions together, it's essential to obtain professional advice. For more information about how we can assist you through this complex process, please contact us to discuss your situation.

Source data:

[1] https://www.pensionspolicyinstitute.org.uk/media/2855/201810-bn110-lost-pensions-final.pdf

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

HOW TO PROTECT YOU AND YOUR FAMILY'S FUTURE

WHAT KIND OF PROTECTION INSURANCE DO YOU NEED?

There are various complex risks in life that we all face, such as serious illness, an accident or death. What would happen if something were to happen to you? Would your family be able to cope financially with the impact an unexpected event might have?

These are not easy questions to ask but it is important to consider what would happen if an unexpected event or accident took place, and how you could protect your family from the financial effects of serious illness or death.

BIG PART IN OUR LIVES

Deciding what your priorities are and understanding what options you have are key parts of the protection planning process. This helps you ensure that you have the financial protection most suitable for your circumstances.

Every family is different, but they often play a big part in our lives. It's important to think about how we can protect them against the unexpected as best we can.

PROTECTION FOR THE UNEXPECTED

LIFE INSURANCE

Death is an unpredictable event, so it's important to make sure you have the right level of cover in place. The amount of life insurance you need will depend on your individual circumstances. There are many good reasons to take out a policy. For example, if you have dependents who rely on your income, then life insurance can provide financial security for them if you die.

There are different types of life insurance available, so choosing the right policy for your needs is key. Term life insurance provides cover for a set period of time, while whole of life insurance covers you for your entire life. You can also choose between level term insurance, which pays out a fixed amount if you die during the term of the policy, and decreasing term insurance, which pays out less as the policy progresses.

There is also a variation on the basic term assurance theme that is often worth considering as it can reduce the cost of cover. Family Income Benefit is a policy with a sum assured that reduces uniformly over time but provides regular payments of capital on the death of the breadwinner (the life assured).

If you have any debt, such as a mortgage, then it's also important to take out life insurance to make sure that this is paid off if you die. This will give your loved ones peace of mind and prevent them from being burdened with debt.

INCOME PROTECTION INSURANCE

There are a number of reasons why income protection insurance should be a part of your protection planning. Firstly, it can help to protect your income if you are unable to work. This could be due to an illness, injury or disability that means you are unable to work. It can help to cover the costs of your everyday living, such as your mortgage or rent, bills and food.

If you do not have sufficient protection in place this may mean you have to rely on your savings, or on the help of family and friends. Income protection insurance is especially important if you are self-employed or have a family to support. If you are unable to work, your income protection policy will provide you with a replacement income so that you can continue to meet your financial obligations.

There are different types of income protection insurance policies available, so you should obtain professional financial advice to ensure you can compare the different options and fully understand the terms and conditions of the policy.

CRITICAL ILLNESS COVER

If you become seriously ill or are diagnosed with a specified critical illness, even if you are still able to work, critical illness cover could provide you with a financial safety net. It can help to pay for treatment, to make adaptations to your home or lifestyle, provide an income for your family if you are unable to work or other costs associated with your illness.

In some cases, it may even pay out a lump sum if you die as a result of your condition.

/// IF YOU BECOME SERIOUSLY ILL AND ARE DIAGNOSED WITH A SPECIFIED CRITICAL ILLNESS, EVEN IF YOU ARE STILL ABLE TO WORK, CRITICAL ILLNESS COVER COULD PROVIDE YOU WITH A FINANCIAL SAFETY NET.

The tax-free money from the policy could be used to help cover the cost of treatment, make adaptations to your home or lifestyle or provide an income for your family.

There is no guarantee that you will not experience a critical illness during your lifetime, so it is important to have this type of cover in place. It will give you the peace of mind of knowing that you and your family are financially protected if the worst were to happen. Critical illness cover is not a substitute for health insurance. ■

NEED A HELPING HAND FOR YOU AND YOUR LOVED ONES?

Do your children, partner or other relatives depend on your income? Many families would have to cut their living costs in order to survive financially in the event of the main breadwinner falling ill or dying prematurely. If you are unclear on your protection requirements, we are here to explain your options. Please contact us for more information.

INCOME PROTECTION INSURANCE PLANS HAVE NO CASH IN VALUE.

IF PREMIUMS ARE NOT MAINTAINED COVER WILL LAPSE.

BRIDGING THE GENDER PENSIONS GAP

WOMEN LEFT WITH HALF THE PENSION POT, NO MATTER THE JOB

We've all heard about the gender pay gap, but very few discuss the gender pensions gap, despite the fact so many women experience it. Women's pensions at retirement are half the size of men's, regardless of the sector they work in, new research has highlighted[1].

The gender pension gap is the percentage difference in income between men's and women's pensions and it begins at the very start of a woman's career.

LONG-TERM FINANCIAL IMPACT

The research found that every single industry in the UK has a gender pensions gap, even those dominated by female workers. Considering women are likely to live four years[2] longer than men, this issue deepens as they need to have saved around 5% to 7% more at retirement age.

Worryingly, more than a third (38%) of women who have taken a career break were not aware of the long-term financial impact it would have on their pension.

THREE KEY INDUSTRIES

According to the research, the gender pensions gap exists regardless of average pay across different sectors, and ranges from a gap of 59% in the healthcare industry, to 13% in courier services.

The healthcare (59%), construction (51%), real estate/property development (48%), pharmaceutical (46%), aerospace, defence and government services (46%), and senior care (45%) sectors were found to have the largest gender pensions gaps. Of these six sectors, three are key industries for female employment – healthcare, pharmaceuticals and senior care[3].

LOWER PENSIONS CONTRIBUTIONS

There are many reasons for the gender pensions gap, ranging from women holding fewer senior positions and being paid less, resulting in lower pensions contributions, to the fact they are more likely to take career breaks due to caring responsibilities.

Of those that have taken a career break, 38% did not know the financial impact it had on their pension contributions[4].

GENDER CONFIDENCE GAP

Another potential driver is a significant gender confidence gap when it comes to managing pension pots. More than a quarter (28%) of women said they had confidence in their ability to make decisions about their pension, compared to almost half (48%) of men[5].

This lack of confidence extends further to other financial decisions, with women less likely than men to feel confident managing their investments (22% of women versus 41% of men), and their savings (56% of women versus 67% of men).

WHILE MANY FACTORS BEHIND THE GENDER PENSION GAP ARE OUT OF MOST PEOPLE'S CONTROL, THERE ARE SOME ACTIONS YOU CAN TAKE TO HELP REDUCE IT:

- Contribute as much as you can to your pension - and start early. Compound interest remains hugely underrated and poorly understood by both some men and women.
- Check the charges on your historic pension pots. If appropriate, see if consolidating your pots will bring them down.
- Check how much your State Pension will be and when you'll get it. If it's not going to support your ideal lifestyle, plan how you'll cover any shortfall.
- Put a bit more into your pension whenever you get a pay rise.
- Talk through your pension planning with your partner. Make sure you know about each other's saving plans, contribution limits and that you are both on the same page.
- Keep a regular eye on your pension to make sure you're in full control of it and saving for your ideal future.

i

NEED ADVICE TO CLOSE THE GENDER PAY GAP IN YOUR PENSION?

Women often have disrupted work patterns, career gaps and work part-time – this can impact their ability to save consistently for retirement without savings gaps. If you are concerned about your retirement plans and would like to review your pension options, please contact us . We look forward to hearing from you.

/// THERE ARE MANY REASONS FOR THE GENDER PENSIONS GAP, RANGING FROM WOMEN HOLDING FEWER SENIOR POSITIONS AND BEING PAID LESS, RESULTING IN LOWER PENSIONS CONTRIBUTIONS, TO THE FACT THEY ARE MORE LIKELY TO TAKE CAREER BREAKS DUE TO CARING RESPONSIBILITIES.

Source data:

[1] The analysis is based on LGIM's proprietary data on c.4.5 million defined contribution members as at 1 April 2022 but does not take into account any other pension provision the customers may have elsewhere.

[2] ONS: Life expectancy at birth in the UK: 82.9 years for women vs 79 years for men; Office for National Statistics, 2018 – 2020. Average four years.

[3] According to the ratio of female members across the Legal & General book of business.

[4] Legal & General Insight Lab survey of 2,135 workplace members was conducted between 4–26 July 2022.

[5] Opinium survey of 2,001 UK adults was conducted between 4–8 February 2022.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

UNRETIREMENT

MORE OVER-50s RETURNING TO WORK AMID COST-OF-LIVING CRISIS

Older workers have been leaving the jobs market in their droves over the past two years, partly due to many re-evaluating what they want from their lives and careers during the course of the COVID-19 pandemic, and also due to the devastating impact the pandemic had on the prospects for many older jobseekers, who felt they had no choice but to leave the workforce.

But the cost-of-living crisis is now affecting some pensioners drastically, with more older people starting to return to work amid the ongoing crisis, new research has highlighted[1]. The findings identified economic activity levels among the over-50s are now at their highest since the pandemic began.

IMPACTING PENSIONS

Analysis of official statistics appears to show the first signs of a return to the long-term trend of more economically active people over the age of 50 – a decades-long trend which, it said, was reversed by the pandemic.

Spiralling inflation and turbulent financial markets impacting pension funds are causing some people to unretire and find work again. There has been an increase in economic activity (those in work or looking for work) of 116,000 among the over-50s in the past year. More than half of the increase is being driven by men over the age of 65.

RETIRING COMFORTABLY

In some ways, the pandemic forced the hands of many and gave them an opportunity to trial retirement. An early retirement can often seem like a dream when you're stuck in the thick of the daily grind but, for many, giving up work abruptly can also result in a loss of structure, social connections and purpose, which can leave people feeling lost at times.

The current economic climate means that some people who thought they could retire comfortably during the pandemic are now having to unretire and find work again to bring in some extra income and top up their pensions while they still can. ■

i

WANT TO DISCUSS HOW TO MAKE YOUR MONEY WORK FOR YOU?

If you're getting ready to retire, or maybe you've already retired, now may be a good time to think about professional financial advice. It can take some of the worries out of retirement planning and ensure your money will go further. So if you have any concerns about your retirement, we can help make your money work for you. To talk to us, please contact us – we look forward to hearing from you.

Source data:

[1] Analysis by www.restless.co.uk – Economic activity levels amongst people over the age of 50 hit their peak of just over 11 million just before the pandemic in the three-month period from December 2019 – February 2020. Since then, we have seen a decades-long trend reverse, with economic activity levels of workers aged over 50 falling by as much as 223,000 during the pandemic.

COST-OF-LIVING CRISIS

BRITONS CUTTING BACK ON FOOD AND ENTERTAINMENT TO KEEP CARS ON THE ROAD

Soaring petrol costs pushed inflation to its highest level for 40 years. New research has uncovered the impact of these high fuel prices on consumers as more than a third (35%) are spending less on food to keep their car on the road[1].

As the cost-of-living crisis continues to exacerbate pressure on households across the UK, what this research shows are some of the measures that consumers are having to take just to keep their cars on the road.

PURCHASING CHEAPER ITEMS

While you could make an active decision to purchase cheaper items at the supermarket, when it comes to fuel, options are limited, meaning cutbacks have to be made in other areas on households that are already stretched in many cases.

Instead, consumers are cutting back in other areas to continue to do essential trips like drive to work, run errands and visit the supermarket. The research highlights how habits at the pump have changed in response to the cost-of-living crisis.

DEMAND FOR ENERGY

More than a third (34%) of consumers now need to stop filling up at an exact value and 26% rarely fill their tanks to the brim as they can't afford to do so. Almost a quarter (23%) are using their savings to put fuel in their cars and 22% are using credit cards.

Fuel prices have increased sharply because the price for crude oil, which is used to make petrol and diesel, has gone up. Crude oil was cheaper at the beginning of the COVID-19 pandemic, because many businesses temporarily closed and demand for energy collapsed.

FUEL MORE EXPENSIVE

As life returned to normal, the demand for energy increased. But suppliers have struggled to keep up and prices have risen. Another problem is that the oil used to make petrol is paid for in US dollars. The pound has been weak against the dollar, making fuel even more expensive.

Despite fuel prices dipping slightly in recent weeks, the findings show the extent to which consumers are still having to cut back to ensure they can afford to get from A to B, with more than eight in ten (83%) more concerned about their finances than they were a year ago.

DRIVERS FORCED TO CUT BACK IN THE FOLLOWING WAYS:

- 46% are eating out less
- 35% are either spending less on their food shopping or have switched supermarket to save money
- 34% now have to stop filling up at a specific value as they know exactly what they can afford
- 31% are cutting down on the volume and quality of food they buy from the supermarket
- 26% now rarely fill their fuel tanks to the brim as they cannot afford it
- 25% have cut back on gym memberships and subscription services
- 24% are reducing spend on school trips, days out and weekends away
- 23% are using their savings to pay for fuel
- 22% need to use their credit card to cover the cost of fuel
- 21% have stopped putting money aside in either a savings account or pension pot

STAYING MUCH CLOSER TO HOME

The research found that 28% of consumers also had to change their staycation plans during the summer months and stayed much closer to home, thanks to the high cost of fuel. Furthermore, and with one eye on the expectation that the cost-of-living crisis will only get worse, 18% said they decided to go on holiday this summer, as it could be their last one for many years. ■

NAVIGATING THE COST-OF-LIVING CRISIS

Whether you need retirement and pensions advice, support with estate planning, would like to invest for children or achieve other goals, or have concerns about dealing with the cost-of-living crisis, we're here to help. To find out more, please contact us.

Source data:
Fieldwork was undertaken between 21–22 July 2022 for Nationwide Building Society. The survey was carried out online by Censuswide. Censuswide abides by and employs members of the Market Research Society, which is based on the ESOMAR principles.

FUNDING THE LIFESTYLE YOU WANT

GET YOUR RETIREMENT PLANS IN MOTION

One of the most common concerns among those approaching retirement is whether they will have enough money to last them. A new study[1] shows that only 25% of retirees feel very confident they've saved enough for retirement.

As food prices continue to soar and petrol costs reach an all-time high in the UK, the rising cost of living is without doubt having an impact on many people's financial plans, both short and long term.

If you're approaching retirement or have already started taking money from your pension or other retirement savings, you wouldn't be alone in feeling a little anxious about the effect the cost-of-living crisis might have on your lifestyle in retirement.

While it's impossible to predict the future with complete certainty, there are a few things you can do to feel more confident about spending your money in retirement.

ADD UP ALL YOUR SOURCES OF INCOME

Your main source of retirement income may well be your pension plan. But when it comes to planning your finances in retirement, it's important to think beyond this. Consider other potential sources such as Individual Savings Accounts (ISAs) and other investments, as well as any rental income you receive from rental properties you let.

And don't forget the State Pension, which is currently £185.15 a week (£9,628 a year) for a single person with a full entitlement. Although the State Pension's annual increase is currently below inflation, every little helps and the total of all your savings and income might add up to more than you think.

WATCH OUT FOR UNNECESSARY TAX BILLS

Paying too much tax in retirement is a common pitfall for some retirees, and one that could be potentially avoided with having the right plans in place.

If you're already taking or plan to take income from multiple sources, you need to consider how that will be taxed. When and how you take your money can make a big difference to how much tax you pay and how long it will last. Taking money little and often could make all the difference when it comes to reducing your tax bill.

When it comes to your pension savings, you can typically take 25% tax-free from age 55 (age 57 in 2028), either in one go or spread out over a longer period. After this, any money you take from your pension savings, as well as your State Pension, is taxable just like any other income. That means you'll need to pay income tax on anything over your tax-free cash limit and any annual personal Income Tax allowance you get.

It's likely that the more money you take, the more tax you'll have to pay, although how much will depend on which tax band your income falls into. So if you take all of your pension savings at once, or in big lump sums, you could be paying more tax than you need to. But by taking your pension savings over a number of years and taking just enough to stay in the lowest tax band you can, you could keep more of your money overall.

MAKE THE MOST OF YOUR INDIVIDUAL SAVINGS ACCOUNT (ISA)

Another way to avoid an unnecessary tax bill is to make the most of your ISA savings. You don't pay tax on any investment growth or interest you earn, or on the proceeds you take from an ISA. So it's a very tax-efficient way to save.

You could consider using any ISA savings you have first and delay accessing your pension savings, giving them more time to stay invested and potentially grow in value. Remember though, the value of all investments can go down as well as up, and you may get back less than you paid in.

Or, if you've already started taking an income from your pension, you could use your ISA savings to supplement that income. This could allow you to take smaller payments from your pension and avoid overpaying Income Tax on them.

Getting to grips with tax implications can be a bit overwhelming as there's a lot to consider. Tax rules and legislation can change, and personal circumstances and where you live in the UK also have an impact on your tax treatment. On top of that, tax varies for other sources of income like property, state benefits, or even your salary if you're planning on working in some capacity for a little longer.

KEEP TRACK OF YOUR INVESTMENTS

Where your money is invested could have the biggest impact on how long it will last in retirement. It's important to regularly review your investments to make sure they remain on track and remain aligned with your plans and attitude to investment risk.

For example, your pension savings may be invested in fairly high-risk funds that have the potential to grow significantly in value, but also are more likely to be impacted, particularly during periods of market volatility. Moving to lower-risk investments means that you're less likely to see big ups and downs in the value of your pension savings.

However, if you're relying on your pension savings to provide you with a comfortable income for the rest of your life, you also need to make sure that your investments will provide enough growth potential. This is particularly important in the current climate where your money faces the double challenge of rising inflation and potentially having to last for many years. ■

WANT TO REVIEW YOUR RETIREMENT PLANS?

If you have specific questions about funding your retirement lifestyle, or if you're feeling anxious about spending money in retirement, speak to us to discuss your options.

Source data:

[1] Class of 2022 UK retirement report consumer research of 2,000 UK adults for abrdn who were either planning to retire in the next 12 months, or who had retired in the 12 months prior. Research was conducted by Censuswide in late November / early December 2021.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

TAX TREATMENT VARIES ACCORDING TO INDIVIDUAL CIRCUMSTANCES AND IS SUBJECT TO CHANGE.

IT'S GOOD TO TALK

MORE YOUNG ADULTS ARE MORE ENGAGED ABOUT MONEY WITH THEIR PARENTS THAN PAST GENERATIONS

When it comes to conversations about money, more and more families in Britain are opening up, new research reveals[1]. This is a significant increase from previous years, when such conversations were considered taboo.

The survey shows that families are becoming more comfortable talking about money, and that children are becoming more interested in learning about personal finance.

VALUE OF MONEY

There are many reasons why families might choose to have these conversations with their children. For one, it can help teach them the value of money and how to manage it responsibly. It can also help them understand the family's financial situation and make informed decisions about their own future.

It's clear that more and more families are finding value in talking about money with their children. And that's a good thing for everyone involved.

UNCOMFORTABLE CONVERSATION

As a nation we have historically seen money as an uncomfortable conversation, but times are changing. Talking about money matters openly when growing up can help children and young adults prepare themselves for dealing with finances once they leave home or start work.

Younger adults are significantly more likely to have talked about money matters with their parents when growing up compared to the generations that went before them.

SAVINGS HABITS

Three in four (76%) 18-24-year-olds spoke to their parents about money matters when they were growing up. This compares to just 43% of those 65 or over, 52% of 55-64-year-olds and 58% of 45-54-year-olds.

Parents who talk to their children about money could make them more likely to be aware of considerations around day-to-day spending, as well as the need for longer-term savings habits.

LOWER INCOMES

The research also reveals that those in lower income households are least likely to have talked about money with their parents when growing up. Just over half (54%) of those in households with an annual income of less than £20,000 talked about money with their parents as a child. This compares to 62% of people in households that earn between £40,000 to £59,000.

Those who now have an annual household income of over £100,000 a year are most likely to have spoken with their parents about money as a child (68%). ■

i

CREATING WEALTH FOR FUTURE GENERATIONS

When your children have a clear picture of what matters to them most, they become more confident in what they want to achieve. With that confidence comes a sense of certainty about their future plans. To discuss how we can assist with their future goals and help them create future wealth, please get in touch.

Source data:

[1] Royal London commissioned research agency Cicero/amo to undertake a nationally representative survey (by age, gender and region) of 3,042 adults in the UK. Fieldwork was conducted between 13–24 May 2022.

A HEALTHIER APPROACH TO RETIREMENT WEALTH

PENSION SCHEMES HAVE A CRITICAL ROLE TO PLAY IN THE TRANSITION TO A NET ZERO ECONOMY

Pension schemes have a critical role to play in the transition to a net zero economy, with many schemes already assessing the impact of their investments in the context of the goals of the Paris Agreement.

Striving to improve investment practices, and robust transparency standards across the investment chain, are an essential part of ensuring schemes can act as responsible stewards on behalf of millions of UK pensions savers.

NET ZERO COMMITMENTS

Choosing to go green on our pension investments could have a far greater impact on the environment than we may have thought. The positive news is that almost three quarters (74%) of pension schemes already have net zero plans in place, or will do within the next two years, a new survey has found[1].

This latest survey shows that pension schemes are making progress towards net zero commitments. With new Taskforce on Climate-related Financial Disclosures (TCFD) requirements coming into force, the number of schemes making such commitments is expected to grow further still.

IDENTIFYING SUITABLE PERFORMANCE

The news comes as climate change and Environmental, Social and Governance (ESG) stewardship continue to rise in importance and have become a central part of pension schemes' investment strategy, with identifying suitable performance measures and devising frameworks to report on them also rising in importance.

The survey found two-thirds (63%) of schemes have started working on their TCFD report, with over half (55%) saying they are within the scope of the reporting deadline and so plan to publish one this year.

CLIMATE TRANSITION PLANS

More than a quarter (28%) have gone a stage further and said that they have already published their TCFD report, despite it not being a mandatory requirement.

In terms of stewardship, two-thirds (68%) see their key priority as investors as being climate transition plans. Over half (56%) see these being net zero targets, while around a third (37%) see board diversity and human rights (35%) as key priorities.

MAJOR RISK TO PORTFOLIOS

In terms of non-climate related ESG factors, diversity and inclusion (51%) and human rights (49%) are seen to be the most important. These are also the areas that most see their organisations focusing on in the next 18 months.

There are a number of reasons for this increase, including regulatory pressure and public concern about climate change. However, the most important factor is likely to be financial: more and more investors are recognising that climate change presents a major risk to their portfolios.

REVIEWING INVESTMENT STRATEGIES

As a result of this increase in awareness, many pension schemes are now reviewing their investment strategies. Some are divesting from fossil fuel companies, while others are investing in green infrastructure and renewable energy.

The survey shows that pension schemes are taking climate change seriously. This is a positive development, as it means that more and more people will have a retirement income that is not put at risk by the threat of climate change. ■

HOW GREEN IS YOUR PENSION?

Although we might like to think that our pension contributions are simply locked away for us to use once we retire, the reality is that this money is being invested. Greening your pension might be the single most effective action you can take to reduce your carbon footprint. For more information or to discuss your retirement plans, please speak to us.

Source data:

[1] Research was conducted by the Pensions and Lifetime Savings Association (PLSA) among its members between 20/04/2022 and 16/05/2022. A total of 91 members responded to the survey.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP AND YOU MAY GET BACK LESS THAN YOU INVESTED.

HEALTH, WEALTH AND HAPPINESS OF A NATION

OVERALL WELLBEING STILL NOT CLOSE TO BEING BACK TO LEVELS SEEN PRE-COVID

While there may be a sense that after two long years the worst of the pandemic is behind us, the nation's health, wealth and happiness are still not close to being back to levels seen pre-COVID. In fact, our happiness is at a record low, mental health issues remain high and the energy crisis, inflation and the conflict in Ukraine point at another chapter of uncertainty, according to new figures[1].

While the UK's personal wealth has bounced back to its highest levels since before the pandemic began, our happiness and health have plummeted. The ongoing impact of the COVID-19 pandemic, combined with the cost-of-living crisis and the war in Ukraine, is having a devastating effect on the overall wellbeing of many people living in the UK.

NEGATIVE IMPACT

The figures show that over half of all Britons (51%) think the COVID pandemic had a negative impact on their access to healthcare, rising to 57% of women and 62% of those aged 55 and over. Added to this, almost one in two people (45%) believe the pandemic has had a negative impact on their mental health (10% 'very negative'), rising to 50% of women and younger people.

But it is not just COVID that has impacted on mental health, the rising cost-of-living crisis has also been a major factor. 28% of adults stated it was the number one cause of their mental health issues. The figures also highlight that 28% of Britons now feel happier than last year, but 46% of Britons said they still felt less happy.

BIGGEST CHALLENGES

Over a quarter (28%) had saved money in the last year, averaging £276 per month. One in ten (10%) of all people have paid off some debts in the last 12 months, averaging £491 per month. However, 11% have taken out new debts in the form of credit cards, loans etc, averaging £403 per month.

The cost-of-living crisis is one of the biggest challenges facing many families in the UK today. The rising cost of everyday essentials, such as food and housing, is putting enormous pressure on household budgets.

SO WHAT CAN BE DONE TO HELP SOMEONE AFFECTED BY THE COST-OF-LIVING CRISIS?

There is certainly no magic wand that will end the cost-of-living crisis. But there are some cost-free strategies that could make a worthwhile difference to your household budget's bottom line.

Here are some practical suggestions:

- Check your entitlement to benefits and tax credits. There may be financial help available that you are not aware of.
- Try to cut back on non-essential spending. Take a close look at your budget and see where you can make savings.
- Shop around for the best deals on essentials such as food, utility bills and insurance.
- If you are struggling to pay your bills, speak to your creditors and try to agree a repayment plan.
- Seek advice from organisations such as Citizens Advice or StepChange if you are struggling with debt.

SEEK AVAILABLE SUPPORT

Households will barely need reminding about the bills that have gone up in recent months. According to a recent report from the Financial Conduct Authority (FCA)[2], many financially struggling households are failing to seek available support due to lack of understanding or feelings of embarrassment.

And for retired people, the impact of these rising costs is significant as most are on a fixed income and have little opportunity to change their financial situation. ■

CONTACT THE COMPANY IN QUESTION AND EXPLAIN YOUR SITUATION

Struggling to make ends meet when it comes to the everyday cost of living is nothing new for vast swathes of the population. If you are falling behind with household bills or repayments on debts, it's crucial to contact the company in question and explain your situation. It may agree to reduce your payments for an agreed period of time, and/or set up a payment plan.

Source data:

[1] The Health, Wealth and Happiness Index was compiled and updated by the Centre for Economics and Business Research (Cebr) for LifeSearch in April 2022. The Index is based on a modelling process taking into account a range of data sources covering health, wealth and happiness and monitoring changes over time. The consumer insights research was carried out by Opinium Research between 21–25 January 2022 among 2,000 UK adults alongside bespoke research among 502 ethnic minorities in the UK, weighted to be nationally representative, between 21–26 January 2022. Additional questions on impacts on mental health over the last two years and how worse off financially consumers expect to be in the next year were carried out by Opinium Research between 22–26 April 2022 among 2,000 UK adults.

[2] https://www.fca.org.uk/news/press-releases/fca-tells-lenders-support-consumers-struggling-cost-living

TEN TIPS FOR FIRST-TIME INVESTORS

READY TO GET STARTED ON YOUR INVESTMENT JOURNEY?

Investing can help you grow your money faster than simply saving, but it can also be a little daunting knowing where to begin. You may think the volatile global stock markets may not be the ideal starting point for new investors, but it's always a good time to begin investing.

The power of compounding returns over decades is potentially enormous if you save consistently and invest in the financial markets. You can start small but get started.

If you are contemplating investing and looking to take your first steps, we've provided ten tips to get you started.

1. HAVE A PLAN
To start off with, it's important to have a plan for your investments. This means having an idea of what you're trying to achieve and how you're going to get there. Are you looking to invest for a specific goal? Are you looking to achieve investment growth, income or both? Ultimately without a plan, it's easy to get off track and make decisions that aren't in line with your investment goals.

2. START SMALL
You don't need a large sum to start investing. In fact, drip-feeding what you can afford each month – or gradually whittling away a lump sum – could be beneficial during times of stock market turmoil and economic uncertainty.

Your money buys more shares at a cheaper price when the market falls, and fewer shares at a higher price when the market rises. This averages out the price at which you buy investments and, over time, could help to smooth portfolio performance.

3. USE YOUR TAX ALLOWANCES
Remember your Individual Savings Account (ISA) allowance, which renews annually on 6 April. This currently amounts to £20,000 for the 2022/23 tax year. Investments inside an ISA grow tax-efficiently, which means more of your money goes towards achieving your future goals.

4. BE PATIENT
Investing is a long-term process, that's why it's important to be patient. Don't try to time the market or make decisions based on short-term fluctuations. Instead, focus on your overall investment goals and stick to your plan.

5. DIVERSIFY
As the saying goes, 'Don't put all your eggs in one basket.' When you diversify, you spread your risk across different investments and sectors, which can help you weather the ups and downs of investment markets.

6. REVIEW YOUR PORTFOLIO
Your investment portfolio should be reviewed on a regular basis. This will help you make sure that your investments are still in line with your goals and that you're not taking on too much risk with where your money is allocated .

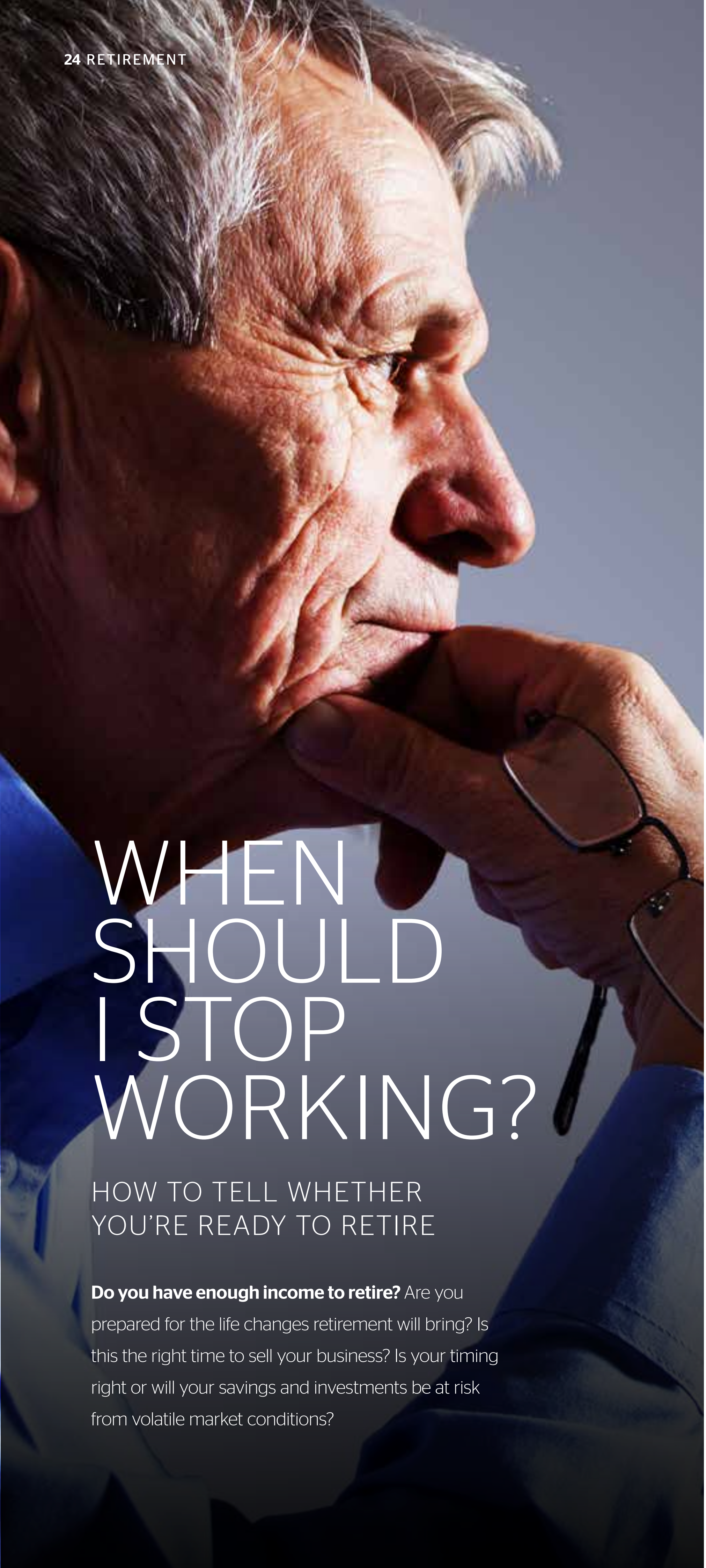
7. STAY DISCIPLINED
Investing can be emotional, which is why you need to stay disciplined. Don't let greed or fear influence your decisions. Instead, keep focused on your goals and stick to your plan.

8. HAVE A TIME HORIZON
When you're investing, it's important to have a time horizon in mind. This is the amount of time you're willing to wait for your investments to grow. For example, if you're investing for retirement, you'll likely have a longer time horizon than someone who's investing to fund a child's further eduction.

9. BE PREPARED FOR BUMPS IN THE ROAD
Investing isn't always smooth sailing. There will be times, as we've seen in recent years, when the market is down or your investments don't perform as well as you'd like. It's important to be prepared for these bumps in the road and have a plan for how you'll handle them.

10. SEEK PROFESSIONAL ADVICE
If you're not sure where to start or how to create a diversified portfolio, seek professional advice. We're here to provide you with the guidance you need to make smart investment decisions and take your first steps. ■

PROFESSIONAL EXPERT INVESTMENT ADVICE AT YOUR SERVICE
Investing can be complicated. It can be hard to know where to begin if you don't have much experience. We are here to help you understand how to invest, make the most of your money and achieve your financial goals. If you are ready to start your investment journey or want discuss any existing investments goal, please get in touch.



WHEN SHOULD I STOP WORKING?

HOW TO TELL WHETHER YOU'RE READY TO RETIRE

Do you have enough income to retire? Are you prepared for the life changes retirement will bring? Is this the right time to sell your business? Is your timing right or will your savings and investments be at risk from volatile market conditions?

The best time to retire will depend on a variety of factors, including your health, your financial situation and your personal preferences. If you're in good health and you have a solid financial foundation, you may be able to enjoy a long and active retirement. On the other hand, if your health is declining or you're struggling to make ends meet, retiring sooner may be the best option.

SPENDING POWER EACH YEAR

Ultimately, the decision of when to retire is a personal one. It's important to do some soul-searching and research before making a final decision. Once you've decided when the right time for you is, be sure to plan carefully to make the most of your retirement years.

Some people may now need to think about the impact that inflation could have on their retirement income, and to consider whether they can afford to retire yet. Rising inflation can wipe years of retirement income off pension pots as savers must increase the amount they withdraw to maintain the same spending power each year.

IMPACT ON RETIREMENT PLANS

Inflation can have a significant impact on your retirement plans. If inflation is high, the purchasing power of your savings will decrease over time. This means that you will need to save more money in order to maintain your standard of living in retirement.

To offset the impact of inflation, you may need to adjust your retirement plans. For example, you may need to save more money so that you can maintain your standard of living in retirement. Additionally, you may need to invest in assets that are less vulnerable to the effects of inflation. Bonds are one type of investment that can help protect your portfolio from inflation risk. In general, they can offer relative stability, but you need to take your age and risk tolerance into consideration.

POTENTIAL EFFECTS OF INFLATION

While inflation can have a significant impact on your retirement plans, there are steps you can take to offset its effects. By saving more money and investing in assets that are less vulnerable to inflation, you can help ensure that your retirement plans remain on track. Additionally, by being aware of the potential effects of inflation, you can make adjustments to your plans as needed to account for its impact.

As you get closer to retirement, it's important to start thinking about how inflation could impact your plans. While inflation can be a good thing if it leads to higher wages and increased economic activity, it can also be a problem if prices start rising faster than your income, as we've seen this year with inflation reaching a new 40-year high amid a cost-of-living squeeze.

THERE ARE SOME GENERAL PRINCIPLES THAT CAN HELP GUIDE YOUR THINKING ON THIS IMPORTANT TOPIC:

The first principle is that it's never too early to start planning for retirement. The sooner you start saving and investing for retirement, the more time your money has to grow. This is due to the power of compounding – which essentially means that your money earns interest on itself over time.

The second principle is that retirement planning is not a one-time event. Your retirement timeline will likely change as life circumstances change. For example, you may need to adjust your timeline if you have children or other family members who depend on you financially.

The third principle is that retirement is not an all-or-nothing proposition. You don't have to retire completely in order to enjoy a comfortable lifestyle in retirement. Many people choose to work part-time or pursue other interests during retirement instead of (or in addition to) simply sitting around and doing nothing.

TIME TO UTILISE CASH FLOW MODELLING?

Planning for retirement is a complex task, made even more difficult by the fact that most of us don't have a crystal ball to predict the future. This is where retirement cash flow modelling can be incredibly useful. This can help you estimate your future income and expenses in retirement and give you a better idea of how much money you'll need to have saved in order to maintain your current lifestyle.

By creating a model of your expected income and expenses, you can better plan for your retirement and make sure that you have enough money to cover your costs. This type of modelling can also help you to identify any potential shortfall in your retirement savings, so that you can make adjustments to your plans accordingly.

If you are nearing retirement or are already retired, cash flow modelling can help you: understand how much income you will need in retirement; work out how long your retirement savings will last; determine the best way to use your retirement savings to generate an income in retirement; and find out how different life events (such as taking a career break or downsizing your home) could impact your retirement cash flow.

WOULD AN ANNUITY BE BENEFICIAL?

Annuities can be a good way to combat rising inflation. Increasing annuities guarantee a stream of income that can offer protection against the cost of living. However, it is important to choose an annuity that has a high enough rate of return to outpace inflation, as otherwise you may end up losing purchasing power over time.

Some annuities offer built-in protection against inflation. For example, some annuities offer cost-of-living adjustments that increase payments to keep pace with inflation. This can help retirees maintain their purchasing power and keep up with the rising costs of living. While annuities are not the only solution for combating rising inflation, they can be a helpful tool for retirees.

Ultimately, whether or not an annuity is a good way to combat inflation depends on your individual circumstances. If you are concerned about preserving your purchasing power in retirement, an annuity can be a helpful tool. However, you should obtain professional financial advice to weigh the costs and risks associated with an annuity before making a decision.

ARE YOU SITTING ON TOO MUCH CASH?

If you're sitting on too much cash right now, with inflation on the rise, that cash could be losing value, so you may want to rethink your strategy. Inflation is a natural occurrence that happens when the prices of goods and services start to increase. This can erode the purchasing power of your money, which means that you'll need more money to buy the same items.

There are a few ways to combat inflation and ensure that your money keeps its value. One option is to invest in assets that may appreciate in value, such as stocks and shares or property. No matter what strategy you choose, it's important to be aware of the impact that inflation can have on your finances. By being proactive, you can ensure that your money keeps its value over time.

WHAT IS YOUR ATTITUDE TO RISK?

When pension planning, your attitude to risk will play a big role in how your portfolio is structured. If you're willing to take on more risk, you may be rewarded with higher returns. But if you're not comfortable with risk, you may want to focus on preserving your capital.

Once you have a better idea of your risk tolerance, you can start to allocate your assets accordingly. For example, if you're okay with some volatility, you may want to put some of your money into stocks and shares. But if you're not comfortable with any volatility, you may want to keep your money in cash and bonds.

No matter how much risk you're willing to take on, it's important to remember that all investments come with some risk. There's no such thing as a completely risk-free investment. But by understanding your risk tolerance, you can make sure that your portfolio is structured in a way that meets your needs. ■

ARE YOU READY FOR RETIREMENT?

Retirement is inevitable, but knowing exactly when to do so is often unclear. No matter when you actually begin your retirement, you'll benefit from planning your post-work life as early as possible. If you would like to review your retirement plans, we're here to listen. We look forward to hearing from you.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

NEVER TOO EARLY TO PLAN AHEAD

PENSION SAVERS STRUGGLING TO SAVE ENOUGH FOR THEIR LATER YEARS

There is no doubt that the UK is facing a retirement income crisis. With wage stagnation and rising living costs, many people are struggling to save enough for their later years.

This is particularly true for those on lower incomes, who are often unable to access employer-sponsored pension schemes. The situation is made worse by the fact that the State Pension is not enough to live on, and many people may not be eligible for it.

ADDRESSING THE RETIREMENT INCOME CRISIS

The government has introduced a number of measures to try to address the retirement income crisis, but these have so far failed to make a significant impact. The situation is only likely to worsen in the future, unless action is taken.

The average earner in their thirties is on track to see their pension pot reduce by £15,000 by the time they retire due to wage stagnation. The findings from a recent Retirement Report[1] has revealed that the average earners in their 30s who were auto-enrolled in a company pension scheme in 2012 will have potentially contributed £7,000 less by 2024.

COPING WITH THE FINANCIAL PRESSURES

These 'lost contributions' result in an overall £15,000 reduction to the individual's total pension pot at retirement due to lost compound interest. The survey found that four out of five adults (81%) are concerned about making ends meet in the current cost of living climate, with three-quarters (76%) saying they need to take action to cope with the financial pressures.

The study revealed that over a third (35%) plan to cut back on non-essential leisure and holiday spending, while others are being forced to make harder decisions, such as cutting back on essentials like food and utilities (16%).

SUSTAINING A DECENT LIVING IN RETIREMENT

UK pension contribution rates over the past few decades have been chronically low compared to European countries and, for the average saver, a joint employee-employer contribution rate of 8% will not be enough to sustain a decent living in retirement, leaving people with less retirement income over and above the basic safety net of the State Pensions and retirement benefits.

Over half (57%) of those surveyed said they were concerned about their finances in retirement, while a similar number (50%) revealed they don't feel they are preparing adequately for retirement.

INVESTMENT RETURNS ARE IMPORTANT

Almost a fifth (18%) said their pension savings are invested in cash or cash-like assets, or low-risk assets such as UK Government bonds; or that they are planning to invest their pension in such assets.

This means, according to the report, the average person between 35 and 54 years old – an age when investment returns are important – who holds half of their £36,200 pension savings fully in cash could be exposed to a reduction of over £1,300 in a single year in real terms, and over £2,100 in two years. ■

CURRENT RETIREMENT PLANS ON TRACK?

There's a whole lot to think about when you're planning for retirement. From thinking about when to retire to what to do with different pension pots, planning for retirement can be both exciting and daunting. If you would like to review your current retirement plans to make sure you are on track, please contact us.

Source data:

[1] The survey for Scottish Widows included general questions on pensions and retirement planning and was carried out online by YouGov Plc: across a total of 5,025 adults aged 18+, weighted to be representative of the GB population, and separately for 1,002 adults aged 18+ to better understand the retirement prospects of minority ethnic groups. Fieldwork was carried out between 8–15 March 2022 for the nationally representative survey, and between 8–30 March 2022 for the survey focused on minority ethnic groups, through a 15-minute online survey.

BANK OF GRANDMA AND GRANDAD

OLDER GENERATION USING THE WEALTH HELD IN THEIR PROPERTY TO HELP YOUNGER GENERATIONS

It's no secret that many younger people tend to encounter difficulties when seeking to enter the housing market for the first time. The degree to which existing homeowners are now prepared to use their own wealth to help their other family members onto the property ladder has increased notably over the last six years.

New research suggests there is a growing tendency among the older generation to use the wealth held in their property to help younger generations become first-time buyers[1]. The research looked at spending and saving levels, as well as attitudes towards funding retirement.

MORTGAGE-FREE

Homeowners, particularly those who are mortgage-free, are planning to use investments, as well as their property, to help other family members move onto the property ladder. The findings show that the average age at which people pay their mortgage off is 51. After this, property and other wealth tends to start being spread through the generations.

Of respondents, 14% say they have already helped their children to become first-time buyers, with a further 19% saying they will 'definitely or probably' do this. Previously when surveyed in 2016[2], more respondents (19%) said they had already helped their children to become first-time buyers, yet fewer (13%) were 'definitely or probably intending to' compared to now.

FIRST-TIME BUYERS

The research also shows an increase in the number of people ready to help other family members, not just their own children. In 2022, 5% say they have already helped their grandchildren become first-time buyers, with a further 20% saying they are definitely or probably going to.

This proportion has shifted upwards in the last six years. In 2016, 3% had already helped their grandchildren to get onto the property ladder and 14% intended to.

YOUNGER GENERATIONS

The same pattern emerges when it comes to helping members of the wider family to buy a home. In 2022, 3% say they have already helped with this, and a further 9% intend to, compared with 2% and 3% respectively in 2016.

The amount of money older relatives are giving to younger generations has also increased, with the typical total amount given now standing at £31,398.63, 25% higher than in 2016.

RELEASING CAPITAL

There is also a noticeable shift towards using property wealth over other sources of income to provide help to other family members hoping to buy a home. In the latest research, the use of financial help sourced through property wealth has more than doubled compared with six years ago, with 40% using property assets in a number of ways, led by downsizing and equity release.

In 2016, most financial help was sourced through using savings and investments to provide money for a deposit (71%), or to buy a property outright (10%). A further 3% cashed in pensions or used pension savings to enable this. Property wealth was used to help other family members in 17% of cases, mostly by releasing capital through downsizing or equity release. ■

i

HELPING YOUNGER FAMILY MEMBERS BUY A HOME

It is becoming increasingly accepted that wealth held in property should be considered part of someone's total assets, and can be used for a variety of purposes – including to help younger family members buy a home like their parents and grandparents did. Understanding the features and risks of equity release is complicated and you should always obtain professional advice.

Source data:

[1] Aviva research conducted for Aviva by Censuswide April 2022. 1,507 general consumers aged 45+.

[2] Aviva Real Retirement Report conducted for Aviva by ICM Unlimited April 2016. 1,506 general consumers aged 45+.

EQUITY RELEASE WILL REDUCE THE VALUE OF YOUR ESTATE AND CAN AFFECT YOUR ELIGIBILITY FOR MEANS TESTED BENEFITS.

MIND THE RETIREMENT GAP

FOUR OUT OF FIVE WORKERS NOT SAVING AT LEVELS WHICH ARE LIKELY TO DELIVER AN ACCEPTABLE STANDARD OF LIVING IN OLD AGE

Four in five workers (16 million people) are not saving at levels which are likely to deliver an acceptable standard of living in retirement, according to new research[1] – these numbers exclude Defined Benefit pension savings.

The key reason behind this low confidence is the inability to afford savings on an ongoing basis, followed by worry about paying off existing debts.

FUTURE CRISIS

Low-paid workers are least likely to be saving at these levels, with fewer than 5% saving at a rate which would provide an adequate standard of living in retirement. Low savings levels are a long-standing issue; however, the cost-of-living crisis is exacerbating the problem.

The UK's lowest-paid workers have been hardest impacted during the crisis, often struggling to make ends meet. As a result, many are unable to prioritise saving for retirement, and today's cost-of-living crisis risks storing up a future crisis where millions are unable to afford even the basics in retirement.

SAVING BEHAVIOUR

Just as low pay has impacted female workers most, the gender pensions gap remains an issue. The report found that 23% of male workers met the 'whole career' Living Pension cash benchmark, compared to 15% of female workers, and that this is driven principally by differing levels of pay rather than differing saving behaviour.

The Living Pension benchmarks are based on a previous feasibility study by the Resolution Foundation, which proposed a 'whole career' benchmark of 11.2% of pay, or £2,100 per year for someone working full-time at the living wage.

HUGE VARIATIONS

The report also highlighted that there are huge variations in whether workers are meeting the Living Pension benchmarks by sector. 55% of workers in the finance industry save at or above the 'whole career' cash LP benchmark, compared to only 2% of workers in hospitality.

These differences persist even if they account for variations between sectors in workers' pay levels, occupation and whether they are full-time. This suggests that sector differences in pension saving are driven either by employers' behaviour or their approach to the overall renumeration package. ■

i

WHAT IF I COULD HAVE THE RETIREMENT I REALLY WANT?

Planning so that you can enjoy today, whilst making sure there is plenty saved for the future, can be a tricky balance to get right. If you would like advice and support with retirement planning, please get in touch.

Source data:

[1] https://www.livingwage.org.uk/sites/default/files/Living%20Pensions%20Report.pdf

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

REEVALUATING THE ROLE OF WORK

PREPARING YOUR FINANCES FOR A CAREER BREAK

Thinking of taking a career break? Whether you're staying home to care for children or travelling around the world on a year-long sabbatical, the prospect of taking extended time off from work can be exciting and terrifying in equal parts. How will you survive financially while you're away from the office? And how can you make sure that your career will still be there when you get back?

A career break can be a great opportunity to take some time off and recharge your batteries. Understandably, money is the single biggest concern of career breakers. How much will it cost? Can you afford it? How can you save up? Can you earn extra? Should you borrow?

The pandemic forced many to reevaluate the role of work in their life, whether it was juggling childcare duties and a remote job, or low-wage and essential employees who had to work in person during the height of the pandemic. Many found themselves struggling with burnout and some questioned the conventional wisdom that people have to work for decades before retiring.

HERE ARE A FEW THINGS TO CONSIDER BEFORE TAKING A BREAK FROM YOUR CAREER:

1. How will a career break affect your income?
2. How will a career break affect your ability to save for retirement?
3. How will a career break affect your benefits (such as life and health insurance)?
4. How long do you plan to take a career break?
5. What are your financial goals during your career break?
6. What are your plans for returning to work after your career break?
7. How will you keep your skills current during your career break?
8. What are your plans for childcare during your career break?
9. What are your plans for housing during your career break?
10. What other financial considerations should you take into account before taking a career break? ■

LOOKING TO REASSESS YOUR CURRENT FINANCIAL SITUATION AND REVIEW YOUR GOALS?

The more time you spend in your career, the more responsibilities you take on that attach you to your work, and it becomes more difficult for you to take a career break. But as long as you have good financial backup and funds available to you, it is not impossible to take a career break at any stage of your life. If you would like to reassess your current financial situation and review your goals, we're here to listen.

LATER-LIFE AND FINANCIAL WELLBEING

MORE THAN ONE-MILLION OVER-60'S ARE RETHINKING LATER LIFE PLANS

With people living longer lives and retirement now lasting up to several decades, the reality is that the majority of us will have to pay for later life care at some stage – whether that be for ourselves or loved ones.

When there is no provision for this, it can have a potentially catastrophic impact on someone's later life and wellbeing.

ABOUT OUR FUTURES

The Coronavirus pandemic has changed the way many of us are thinking about our futures. Not only has it made us consider how we want to spend the rest of our days, but also who we want to be with and where we want to be.

So it isn't surprising that some over-60s are starting to rethink their later life care plans, whether that be their own choice or influence from family members. However, many people may still not have considered how they will fund care in later life.

The growing concerns from family members surrounding the pandemic has driven some over-60s to consider options beyond care homes, such as downsizing or moving into assisted living.

RETHINKING CARE PLANS

Research reveals that more than one million over-60s who were originally planning on going into care homes are now rethinking their care plans in later life as a result of the Coronavirus pandemic[1].

This shift could be driven by growing concerns from their children. Nearly a fifth (19%) of Britons, who would have previously been open to care homes as an option for their family members before the crisis hit, now wouldn't consider it, the research highlights.

OPTIONS TO CONSIDER

Instead of moving into care homes, some over-60s are primarily looking either to move into assisted living (19%) or smaller and more manageable properties (19%). Moving in with family members was also a popular option, with nearly one in ten (9%) looking to move into a spare room, and 6% looking to move into a granny annexe.

For those looking to move into an annexe or pay for home improvements, more than two-thirds (67%) think they would need to alter their home or their child's home in some way.

THE MOST POPULAR HOME IMPROVEMENTS INCLUDE:

- Making modifications to the bathroom, such as adding grab bars and a shower seat (34%)
- Installing an emergency alarm (27%)
- Installing a chair lift (22%)
- Buying new furniture, such as a bed with rails (22%)
- Installing mobility features like ramps (19%)

GROWING NEED FOR CARE IN LATER LIFE

But, despite the growing need for care in later life and the average cost estimated at between £600 to 800 per week[2], more than half (55%) of over-60 year olds still haven't considered or don't know how they will fund it.

For those who have considered it, a fifth (21%) expect to use their State Pension of just £185.15 a week (£9,628 a year), 15% expect the government to pay for it, and a further 15% expect to use their cash savings.

It is important to remember that there is no one 'right' way to approach later life. What matters most is that you are happy and comfortable with your choices.

If you are over 60 and thinking about your plans for later life, here are some things you may wish to consider:

- What is your current financial situation? Do you have enough saved up to support yourself in retirement?
- Do you have any health concerns that could impact your ability to live independently in the future?
- Do you have a strong network of family and friends who can support you as you age?
- What kind of lifestyle do you want to maintain in retirement? Are you hoping to travel or pursue new hobbies?
- What kind of living arrangement would best suit your needs? Would you prefer to stay in your own home or downsize to a smaller space?

OPPORTUNITY TO THINK

Making plans for later life can be daunting, but it is also an opportunity to think about what you want out of life and what would make you happy. As we get older, we may require help whether this be in the form of family members at home or a residential setting providing domiciliary care.

Change can be difficult but planning for the future can make things much easier. Take your time to explore your options and talk to your loved ones about your plans. With the right planning, you can ensure that your later years are just as fulfilling as the rest of your life. ■

READY TO DISCUSS PLANNING FOR THE COST OF CARE?

We can't predict the future. The type of care we may require, the level of costs at the time and eligibility to state benefits are all changing variables that require ongoing reviews in order to help you keep on track. If you would like to discuss your situation or planning for a family, please contact us.

Source data:

[1] Research among 2,000 UK adults, fieldwork 12–15 June 2020, conducted by Opinium Research.

*[2] Age UK - https://www.ageuk.org.uk/information-advice/care/paying-for-care/*paying-for-a-care-home/

PENSION BOOSTER

MISTAKES TO AVOID WHEN YOU'RE AIMING TO BUILD YOUR POT

Many people are feeling the pressure on their finances at the moment due to the backdrop of rising inflation and the cost-of-living soaring. In these circumstances, it can be difficult to think about your long-term finances or even contemplate saving for the future.

However, even in the current climate there are ways to maximise the value of any pension savings you do have.

FREE MONEY FROM YOUR EMPLOYER

When offered the opportunity to join a workplace pension, it's nearly always a good idea to do so. For most people, your employer must automatically enrol you in a workplace pension scheme, and you may even be offered a pension plan if you don't meet the criteria.

Workplace pension schemes are made up of your own payments (5% or more of earnings) which are deducted from your salary, often before you pay tax, making it easier to save, and your employer's contribution, which at the very least must be equivalent to 3% of your earnings.

Many employers offer more than this or match any extra payments you make so it's worth checking if you're getting the most out of this valuable benefit.

EXTRA MONEY FROM THE GOVERNMENT

Anyone who decides against investing in a workplace or personal pension also turns down help from the government. That's because in order to encourage people to save for retirement, the government provides a top-up called 'tax relief' to pension payments.

How you receive tax relief depends on the type of plan you have and the rate of income tax you pay. But as an example, if you're a basic rate taxpayer saving into a personal pension in the current tax year, you get 20% tax relief on your payments. So, if you pay £200 a month into your pension plan, the £40 of tax relief you receive on that payment means it will only cost you £160. Higher rate or additional rate taxpayers could claim back even more.

Some workplace pension schemes offer tax relief in a different way, such as through salary sacrifice or exchange schemes, so check with your employer if you're not sure how this works for you. And in Scotland, the tax relief details differ slightly. But in all these cases, the general point is the same: each time you defer paying into a pension plan, you miss out on an extra boost.

THE STATE PENSION WILL NOT TO COVER EVERYTHING

Another common mistake is to assume that the State Pension will meet your retirement needs. However, it's important to know that the State Pension won't be available until your late 60s, and may not cover all of your outgoings.

Currently, the new flat-rate State Pension is £185.15 a week, or just over £9,600 a year. At the same time, the Pensions and Lifetime Savings Association (PLSA) calculates that a single person needs £10,900 a year for just a 'minimum' standard of living in retirement. This rises to £20,800 a year for a 'moderate' lifestyle, which includes a car and some help with maintenance and decorating each year.

KEEP A TRACK OF ALL YOUR PENSION PLANS

If you have moved jobs or home a few times, and not informed your pension provider, then one of these 'lost' pension pots could be yours. It's worth spending time tracking down any potential missing pots to help boost your future finances.

THE MINIMUM CONTRIBUTION IS UNLIKELY TO BE ENOUGH

Auto-enrolment has boosted the pension savings of millions of people but the 8% minimum payment may not get you the retirement lifestyle you want. It's important, therefore, to have a retirement lifestyle in mind – the PLSA calculations can be helpful here as they can give you a real figure to aim for, and you can then work out what's feasible and put the necessary steps in place to help you achieve your goals.

REVIEW YOUR PENSION PLAN REGULARLY

You might not want to talk about your pension plan every day, but dismissing pensions as boring is a mistake, and one that becomes increasingly serious over time. While this might be difficult at the moment, steps such as topping up your payments, especially in your 20s, 30s or early 40s, can make a large difference, thanks to the snowball effect of compounding.

Understanding your workplace or private pension, making sure you know how to get more 'free' payments from your employer or the government, or using it to pay less tax (such as through bonus sacrifice) could make a major difference to your long-term finances.

UNDERSTAND WHERE YOUR POT IS INVESTED

A related mistake is not knowing where your pension pot is invested, whether that matches your life-stage and priorities or how to choose the right investment options. For example, if your retirement is still some years ahead, you could potentially afford to take a little more risk. Conversely, you may want to dial down the risk as you get nearer to retirement. ■

WILL I HAVE ENOUGH FOR THE RETIREMENT I WANT?

The details surrounding pension rules are complex. Careful financial planning combined with our expert knowledge can help you manage your affairs as tax-efficiently as possible. To ensure you have enough money to have the retirement you want, please contact us.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

TAX TREATMENT VARIES ACCORDING TO INDIVIDUAL CIRCUMSTANCES AND IS SUBJECT TO CHANGE.

NAVIGATING THE HIGHER RATE TAX FREEZE

MINIMISING THE IMPACT ON YOUR PERSONAL FINANCES

If you're a higher rate taxpayer, the freeze on the Income Tax threshold will have meant an increase in your tax bill. The reason for the increase stems from the Chancellor's decision in April 2021 to freeze the higher rate tax threshold rather than increase it in line with inflation.

With inflation running at a 40-year high, pay increases will mean more people are being pushed into the higher rate tax bracket. You pay higher rate tax on the portion of income that falls between £50,271 and £150,000 (or between £43,663 and £150,000 in Scotland). Higher rate tax is charged at 40% (or 41% in Scotland).

IS THERE ANYTHING I CAN DO ABOUT IT?

Review your salary sacrifice arrangements. If you're currently sacrificing part of your salary into a pension or other benefits, you may want to consider increasing this amount. This will reduce your taxable income and could help offset any increase in tax due to the freeze.

Check your tax code. If your tax code is incorrect, you could end up paying more tax than you should. Make sure you check your code and update it if necessary.

Use tax-efficient investments. There are a number of investments that can be held in a tax-efficient way, such as Individual Savings Accounts (ISAs). These can help to reduce your overall tax bill. You can allocate your entire allowance of £20,000 (for 2022/23) into a Stocks & Shares ISA, or into a Cash ISA or any combination of these. You pay no Income Tax on the interest or dividends you receive from an ISA and any profits from investments are free of Capital Gains Tax.

Use your annual allowance. If you have unused annual allowance from previous years, which applies to all of your private pensions, you could consider carrying it forward and use it to offset any increase in tax due to the freeze. Carry forward allows you to make use of any annual allowance that you might not have used during the three previous tax years, provided that you were a member of a registered pension scheme during the relevant time period. But to use carry forward, there are certain conditions that need to be met. ■

WANT TO SEE HOW WE COULD HELP TO MINIMISE THE IMPACT OF THE TAX FREEZE?

By taking some time to review your finances and make some key decisions, you can help to minimise the impact of the tax freeze and keep more of your hard-earned money. Whatever your financial goals are, we can help you put the necessary planning in place to make them become a reality. To find out more, please contact us.

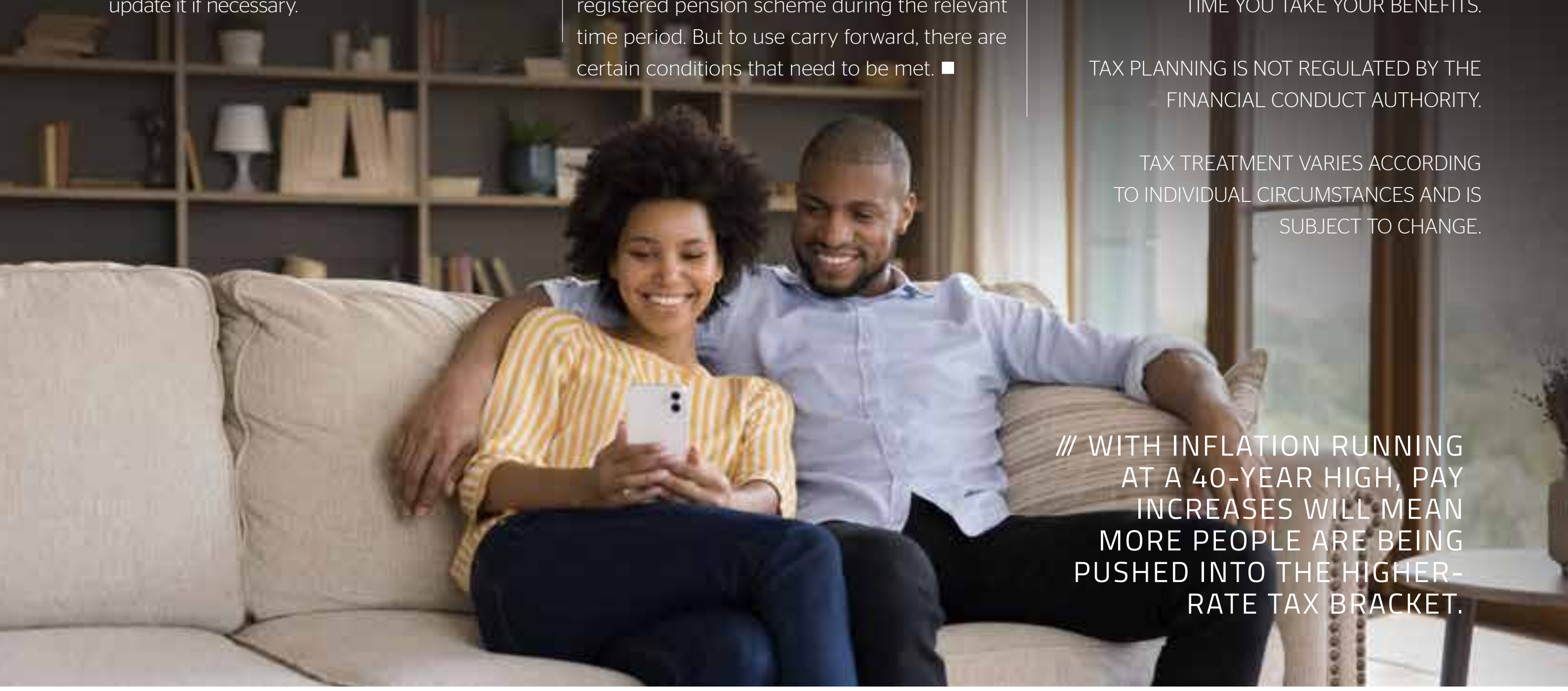
A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

TAX PLANNING IS NOT REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

TAX TREATMENT VARIES ACCORDING TO INDIVIDUAL CIRCUMSTANCES AND IS SUBJECT TO CHANGE.



/// WITH INFLATION RUNNING AT A 40-YEAR HIGH, PAY INCREASES WILL MEAN MORE PEOPLE ARE BEING PUSHED INTO THE HIGHER-RATE TAX BRACKET.

Published by **Goldmine Media Limited**
Basepoint Innovation Centre, 110 Butterfield, Great Marlings, Luton, Bedfordshire LU2 8DL

goldmine media