

**Carter Moore**

Financial Advice &  
Wealth Management Ltd

# BUILD YOUR OWN FINANCIAL PLAN

Vision without action is merely a dream



#### **TOP PENSION TIPS IF YOU'RE ABOUT TO RETIRE**

Understanding your options and putting a plan in place

#### **WHAT'S HAPPENING WITH INFLATION?**

Easing of lockdowns boosts consumer confidence and unleashes pent-up demand

#### **TIME FOR PENSIONS TO CONTRIBUTE TOWARDS BUILDING A BETTER WORLD**

One in four pension scheme members have never even heard of net zero

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# Inside this issue

**Welcome to our latest edition.** Inside we look at how, by having a financial plan in place early on, it can make it easier to manage your money further down the line. It's never too early to make a financial plan. The sooner you work out your goals and start following a plan to achieve them, the more likely you are to succeed. On page 08 there are three key questions to ask yourself when building your financial plan. Don't forget: vision without action is merely a dream.

We spend our working lives building towards retirement. Choices we make today will have a big impact on the quality of our lives later on. On page 06 we explain the changes made to UK pensions in 2015 and what they mean for your choices when it comes to funding your lifestyle in retirement. The decisions surrounding when, why, and how you decide to retire will be very personal, and will largely depend on your individual circumstances.

Understanding inflation is an important factor when it comes to your financial success. If you don't factor inflation in when deciding where to put your money – whether that's savings accounts or investing – you could find your wealth shrinks over the years. The easing of lockdowns has boosted consumer confidence and unleashed pent-up demand. On page 28 we look at the current causes of higher inflation.

Your pension is more than just a retirement fund; it can also contribute towards building a better world. As we have been witnessing in recent months and years, climate changes are occurring in every region and globally. A new landmark report from the United Nations on the state of climate science has highlighted modern society's continued dependence on fossil fuels. Its effects are already apparent as record droughts, wildfires and floods continue to devastate communities worldwide. Turn to page 12.

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

## UNDERSTANDING EVERY ASPECT OF YOUR WEALTH



Whether you are clear on your financial priorities or feel you need to be pointed in the right direction, we'll work with you on your financial plans and help you to realise your wealth and lifestyle ambitions. We hope you enjoy the useful intel and articles in our latest issue, and if you require any further information or would like to start a conversation – please contact us.

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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.

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# Inheritance Tax

Minimising the impact of on your estate

**The latest Inheritance Tax (IHT) statistics show an additional 4% was added to HM Revenue & Customs receipts compared to the previous year<sup>[1]</sup>.** IHT is a tax payable when you die. Whether your beneficiaries have to pay it, and how much they'll pay, is based on the value of your estate.

**Y**our estate's value is the value of the whole entirety of your assets. An asset is anything of value that is owned, for example: money, property, investments, businesses, possessions, payouts from life assurance not written under an appropriate trust, as well as any gifts made within seven years of your death. IHT is currently applied to estates worth more than £325,000, and will remain at this level until April 2026.

## SURVIVING SPOUSE

When the value of your estate exceeds this limit, known as the 'nil-rate band', everything over the threshold is taxed at 40% (unless you're leaving it to your surviving spouse, in which case no IHT needs to be paid).

For the 2021/22 tax year, there is also a 'residence nil-rate band' currently worth £175,000. If applicable to your particular situation, this is added to your nil-rate band of £325,000 – so your estate could be worth up to £500,000 before any IHT is payable.

## EMOTIONAL TIMES

This increased tax take suggests that the Chancellor's freeze on the nil-rate band and residence nil-rate band at the last Budget

is beginning to have the desired effect. It is achieving the 'fiscal drag' it set out to do, particularly given that asset prices have soared following the depths of the pandemic and could continue to do so given inflation is on the up.

As a result, many more people could end up having to pay IHT without realising they would fall into the tax charge. It is vitally important people start to have conversations with loved ones to fully understand an estate and the value of it. While it isn't always the most pleasant conversation, it is better to have it now than during more emotional times such as following a death.

## COMPLICATED TAX

With the government looking for ways to plug the holes in the public finances created by the pandemic, IHT will always be in focus. IHT is a complicated tax and one that requires a necessary level of knowledge to ensure you're planning in the most tax-efficient way.

So IHT planning should be considered but it's important not to plan in isolation – it should be part of an overall strategy that encompasses your lifetime financial goals and assets, even though constituent parts may be executed separately and at different times. ◀

## PASSING ON YOUR WEALTH TO THE NEXT GENERATION



You have worked hard to build your wealth – we will help you pass it on to the next generation securely and efficiently. If you'd like to find out more or to discuss your situation, please get in touch with us today – we look forward to hearing from you.

### Source data:

*[1] National Statistics Inheritance Tax statistics: commentary from HM Revenue & Customs updated 29 July 2021.*

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**PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAXATION & TRUST ADVICE.**





## Are you making use of this useful and much under-utilised exemption?

**If you want to make inheritance gifts from surplus or excess income**, there is a useful and much under-utilised exemption that allows gifts over and above the value of £3,000 per annum to be made without these gifts forming part of your estate if you die within seven years of making them.

**T**he exemption comes under the heading of 'Normal expenditure out of surplus income'. It is a particularly valuable way of gifting part of your estate to future generations on a regular basis.

If you want to make inheritance gifts from surplus or excess income, you need to show that you intend to make regular gifts that will not affect your normal standard of living, and that will come from income rather than capital.

This form of giving is most effective for those with higher incomes relative to their cost of living, who are either looking to clear their estate or just make gifts to loved ones – especially in order to distinguish these gifts from lifetime gifts of capital that have already been made or are being contemplated.

### SO, WHAT ARE THE REQUIREMENTS?

1. The gift must form part of your normal expenditure – this can mean either a pattern of regular gifts or the intention to make regular gifts. You therefore need to record when you are making a gift out of income, by writing a letter for instance.
2. The gift is made out of income.
3. You are left with enough income to maintain your normal standard of living.

**In order to assess whether you have sufficient income to utilise this exemption and to satisfy conditions 2 and 3, you will need to:**

- ▶ Consider how much net income you receive (for example, from employment, pensions, dividends, interest, rent) after tax.
- ▶ Review what your normal expenditure amounts to – there is no actual legal definition of what

'normal expenditure' amounts to but it is based on an individual's particular circumstances. This may, of course, fluctuate from year to year.

### CONDITIONS THAT MUST BE MET

It is important to consider the conditions that must be met for gifts to qualify. The conditions of 'surplus' and 'normality' are qualitative and, without methodical planning, can leave room for doubt about the tax effects.

It's therefore important to seek professional financial advice in advance to identify any ambiguity. Inadvertently making a gift of capital could be very costly and later give rise to a 40% Inheritance Tax charge on those funds should you die within seven years.

### CARRYING FORWARD YOUR INCOME

If appropriate, you could complete this process each tax year to review how much surplus income you have for that year. You can then increase or decrease the amount you gift accordingly. There are no hard and fast rules as to when income no longer retains its status as income. However, HM Revenue & Customs tends to take the approach of being able to carry forward income for a period of two years.

It's important to keep financial records that allow you to calculate and offset expenditure against income. This will determine the amount available for gifting. Tracking the opening and closing balances on monthly bank statements is the usual starting point.

### CONTINUING TO MAKE REGULAR PAYMENTS

It's also helpful to record a Memorandum of Intent, declaring your future intention to make regular

gifts of your excess income, which can be used to anticipate a challenge to their nature. The Inheritance Tax Form 403 provides a useful record-keeping tool. Your executors will need to claim the exemption on your death, and therefore it is important to maintain thorough record keeping.

In certain situations it may be possible that a single gift could qualify so long as it can be proved upon death that there was an intention to continue with the payments. Such intention could be proved by the donor providing a signed letter to the recipient confirming their intention to continue to make regular payments.

### WISHING TO RETAIN CONTROL OF YOUR CAPITAL

This is a particularly effective means of tax planning if an individual is not dependent upon such income to maintain their current standard of living but wishes to retain control of their capital. For example, a parent could pay the premiums on a life policy for their child, make payments into trust for the benefit of their children, or pay their children's school or university fees.

The gift can be made out of general income or it could be made out of a nominated source such as property rental or specific investment income. ◀

### IS YOUR WEALTH PROTECTED FOR YOU AND YOUR FAMILY?



Estate planning is essential to make sure your wealth is protected for you and your family. By structuring your assets in a tax-efficient way, you can make sure everyone is provided for in the future. To discuss your options or any estate planning concerns you may have, please contact us.

**THIS INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF LEGISLATION. LEGISLATION AND TAX TREATMENT CAN CHANGE IN THE FUTURE. THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE INHERITANCE TAX PLANNING AND TRUSTS.**

# TOP PENSION TIPS IF YOU'RE ABOUT TO RETIRE

## Understanding your options and putting a plan in place

**We spend our working lives building towards retirement.** Choices we make today will have a big impact on the quality of our lives later on. If you only have a handful of years to go until you reach your retirement, it has never been more important to understand your options and put a plan in place – now could be a good time to re-evaluate your plans with us.

**T**he changes made to UK pensions in 2015 mean that we all have more choices available on how to fund our lifestyle in retirement. But decisions surrounding when, why, and how you decide to retire will be very personal and will largely depend on your individual circumstances.

These decisions will also be impacted by external factors such as the rising State Pension age, and the impact of the recent pandemic on the job market. When planning for your future, it's important to know when you can access the money in your pension pot.

If your pension is not on track to give you the income you want in retirement, you need to look at how to boost it. It's also worth remembering that taking your pension doesn't mean you need to retire.

### TAKING STOCK OF YOUR RETIREMENT PLANS

Retirement is a time to reap the rewards of years of hard work and do more of the things that you love, whether that's travelling the world or spending time with your grandchildren. But to make this a reality, you need to prepare as well as you can financially.

This isn't always easy, as pensions and retirement planning can be complex.

To help you ensure you're on the right track, ask yourself the following questions. What type of pension/s do I have? Do I have more than one pension pot? If so, where are they? When and how can I access the funds in my pension pots? What is the value of my pension pots? What benefits will they provide me with? What about any other options or guarantees?

### WILL YOU POTENTIALLY EXCEED THE PENSION LIFETIME ALLOWANCE?

If you're close to retirement, you may find you are approaching the Pension Lifetime Allowance (LTA) limit. The LTA is the most you can accrue overall within your pension plans without incurring an additional tax charge on the excess funds. The LTA test can take place at various times and all funds are tested at some point (for example, when your pension plan is accessed, if you die without having accessed it and/or on reaching age 75). The LTA has been cut over the years and is now £1,073,100 for the 2021/22 tax year.

The LTA has also been frozen at £1,073,100 until 2026, potentially exposing you to the charge


for breaching the threshold. If you breach the threshold you face a 55% LTA charge on amounts taken above this ceiling if they are withdrawn as a lump sum (with no further income tax due beyond the 55%), or a 25% LTA charge when taken as income which includes placing the funds in a drawdown plan. In addition, any income withdrawn is then taxed at usual income tax rates.

If you think you are nearing the LTA, it's important to monitor the value of your pensions, and especially the value of changes to any defined benefit (DB) pensions as these can be surprisingly large. DB pensions are valued for LTA purposes as 20 times the annual pension figure, plus the tax-free cash amount, whereas defined contribution (DC) pensions are tested against the LTA based on the fund value. There were, and are, protections that can help you avoid a tax charge by giving you a higher LTA. We can discuss whether this applies to your situation.

### WHAT DOES YOUR CURRENT AND FORECASTED WEALTH LOOK LIKE?

As you get closer to retirement, it is important to assess your current and forecasted wealth, along with your income and expenditure, to create a picture of your finances for both now and in the future.

Lifetime cash flow modelling will help ensure you don't run out of money – or die with too much – by showing whether your current investment approach is either excessively risky or unduly cautious. Retirement cash flow



**/// If you have accumulated wealth, retirement cash flow modelling will help you manage your position and make sensible decisions over the years.**

modelling can help to alleviate your concerns.

Building your individual retirement cash flow plan involves assessing your current and forecasted wealth, along with your income and expenditure, using assumed rates of investment growth, inflation and interest rates, to build a picture of your finances both now and in the future.

If you have accumulated wealth, retirement cash flow modelling will help you manage your position and make sensible decisions over the years. However, cash flow planning is arguably even more beneficial if you have longer-term personal or business objectives, as you can see how much you need to save and the returns you need to meet those defined objectives.

#### **TIME TO LOOK AT YOUR OPTIONS AVAILABLE WHEN ACCESSING YOUR PENSION?**

Once you reach age 55, you can access your defined contribution (DC) pension pot. You can take some or all of it, to use as you need, or leave it so that it has the potential to continue to grow. It's up to you how you take the benefits from your DC pension pot. You can take your benefits in a number of different ways.

You can choose to buy a guaranteed income for life (an annuity). You can take some, or all, of your pension pot as a cash lump sum, or you can leave it invested. However you decide to take your benefits, you'll normally be able to take 25% of your pension pot tax-free. The rest will be subject to Income Tax.

It's good to have choices when it comes to pensions and your retirement, but it's also important to understand all your options and any impact your

decision may have on your future security. How long your pension pot lasts will depend on the choices you make. We can help by discussing the options available to access your pension.

#### **ANNUITIES**

If you buy an annuity this will provide a guaranteed income for the rest of your life. With this option, the provider agrees to pay you an agreed regular sum until you die. With an annuity, you may receive more or less money than you put in depending on how long you live after your annuity has started.

#### **FLEXI-ACCESS DRAWDOWN**

By opting for flexi-access drawdown, you can leave your pension pot invested so that it has the potential to grow, or take lump sums or a regular income from it. Your pension pot will last until you've taken all your money out. The level of income you take and any investment growth will be key factors as to how long your pension pot will last.

#### **TAKE SOME OR ALL OF IT IN CASH**

If you take some or all of your pension pot as a cash lump sum, it's up to you how long it lasts. Once you receive your money after tax, you're completely responsible for it and can use it as you require – although remember that although 25% of the amount you take is tax-free, you'll pay Income Tax on the rest.

#### **LEAVE IT ALL FOR NOW – DEFER YOUR PENSION**

You could decide not to take your pension at your selected retirement date and leave it invested until you're ready to take your benefits. This means

your pension pot would have the potential to grow, although this is not guaranteed. It's important to ensure you don't lose any guarantees which only apply at your retirement date if you decide to leave your pension pot. ◀

#### **WOULD YOU LIKE US TO CARRY OUT A RETIREMENT PLAN REVIEW WITH YOU?**



Even if retirement isn't far away, there are ways to increase your retirement income. This applies both to your State Pension entitlement as well as to any personal or workplace pension pots you have. To find out what you can do, please contact us for more information.

**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.**

**THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.**

# Build your own financial plan

Vision without action  
is merely a dream



**Having a financial plan in place early on can make it easier to manage your money further down the line.** It's never too early to make a financial plan. The sooner you work out your goals and start following a plan to achieve them, the more likely you are to succeed.

Here are three key questions to ask yourself when building a financial plan.

## 1. WHAT ARE MY GOALS?

Building wealth takes time and a little effort. Like any activity, be it growing a business or learning a new skill, you need to decide early on what your long-term objectives are. It's exactly the same when you are building wealth – it is important to set financial goals.

Without a goal, your efforts can become disjointed and often confusing. Being able to keep track of your progress towards achieving a goal is only possible if you set one in the first place. Being able to measure progress is extremely rewarding and will help you maintain focus.

Procrastination is something we all battle with from time to time. However, when you set goals in life, specific goals for what you want to achieve, it helps you understand that procrastination is dangerous. It is wasted time. It is another day you aren't moving closer to that goal.

Setting financial goals is essential to financial success. Once you've set your goals you can then write and follow a roadmap to realise them. It helps you stay focused and confident that you're on the right path.

**Consider the SMART principle when setting your own goals:**

**Specific** – Clearly define what each goal is and use details such as numbers where possible (quantify it).

**Measurable** – Think about a tangible way in which you can measure your progress.

**Achievable** – Are your ambitions realistic? With

planning we are often capable of more than we realise but being pragmatic is important. Discussing your goals with us will help you to balance this.

**Relevant** – Are your goals in line with your own personal values? It is useful to chat this through with somebody else to clarify your values.

**Timebound** – Think about the timeframe you are working within and whether there is any flexibility needed.

Your goals are personal and unique to you. Perhaps you want to set up your own business and follow a lifelong passion, or maybe you want financial security and to ensure you can pass a legacy on to your loved ones.

Once you've defined your goals and you're clear on your current situation, it's a good time to work out if you have enough to achieve your goals or if there's a gap. This isn't an easy task as there are often many variables to consider, such as inflation, tax and growth rates.

## 2. WHERE AM I NOW?

Cash flow planning is a concept borrowed from business and every business owner or finance director will be familiar with the term. These same principles can be applied to your personal financial planning. As we've mentioned, the starting point is to identify each one of your personal goals.

Cash flow planning is most effective when all likely future needs are taken into account too. Just focusing on immediate needs may seem more practical but focusing on one goal at a time can limit future options.

Make a list or a spreadsheet of what you have, specifying where and how much; this could include any assets such as property, cash balances,

investments, pensions, protection policies and any debts such as mortgage, credit cards or loans. Look at your income and expenditure levels.

Remember, the future is somewhere you have never been before. Cash flow planning guides and updates you on your journey. If there are delays on the way it can find another path. Combined with our professional advice, we can help you arrive at your destination more smoothly.

## 3. WHAT DO I NEED TO DO NEXT?

As we've seen with the coronavirus (COVID-19) pandemic, things can change very quickly. It goes without saying that your financial plans should not be static objects, and that you should review your plans over time and on a regular basis to ensure that you remain on track towards your goals. You also need to adapt your financial plans as your circumstances change.

Reviewing your arrangements regularly is a vital way of ensuring you meet your financial goals and ensures that all your plans are up to date in light of changes to your circumstances and the wider financial landscape.

Reviews can also prompt you to consider some of those things that sometimes get left undone – such as your Will, which might still need to be arranged or updated. Or perhaps there is a Lasting Power of Attorney that has not been progressed or a life assurance policy that should be placed under an appropriate trust. As we've all recently experienced, life has a habit of springing unpleasant surprises on us when least expected. ◀

## LET'S GET STARTED



Financial planning is the key to improving your financial wellness. Your personal plan is a roadmap to your financial success. You'll see exactly what you need to do now to make a significant difference for your future. Please get in touch to find out how we can help you reach your financial goals – we look forward to hearing from you.



# Preparing for the unexpected

Protection should be a core part of your financial plan

**When you think of financial planning, pensions and savings will spring to mind. But, whilst often overlooked,** protection should be a core part of your financial plan.

If you are worried illness or injury could leave you without enough to pay bills, there are solutions to help protect your income. While some people could rely on state benefits as a safety net if they experienced a sudden loss of income, for many the drop in income would be too severe to maintain their standard of living.

## BEING ABLE TO KEEP PAYING THE BILLS

In many situations, families rely on both partners' income to pay the monthly bills and don't think about the impact losing one income could have on their standard of living. Even though people recognise the need to take out life insurance to pay off their mortgage if they die, some may not think about how their family could continue to pay their outgoings if they became ill or were injured and unable to work for a long period of time.

If something were to happen to you, would you and your family be able to keep paying the bills? The coronavirus (COVID-19) outbreak has made many of us think more carefully about protecting ourselves and our family from financial difficulties. However, this isn't just about having savings and investments to provide for the long term – it's also about ensuring you and your loved ones are provided for should the worst happen.

## SUFFICIENT SAVINGS TO MANAGE FINANCIALLY

Have you calculated how much you and your family would need if you found yourself unable to work? This should also take account of your

savings and any other income you might have. Using a Budget Planner will enable you to work out what you're spending each month, from household bills to general living costs. Having a good idea of your overall budget will make it easier to make changes.

Not everyone will have sufficient savings to manage financially for long periods of illness – particularly if this money is earmarked for other plans like retirement or helping children with their education. That's where insurance protection comes in, and there are a variety of options that could help to cover specific costs, or replace income, should you find yourself unable to work.

## INCOME PROTECTION

Income Protection insurance can provide a regular replacement income if someone is unable to work because of an illness or injury. Typically, a policy pays out after they've been off work for six months (often called a 'deferred' or 'waiting period') and can pay a percentage of their salary until either they return to work, reach State Pension Age or die while claiming.

## CRITICAL ILLNESS COVER

Critical Illness Cover is a type of insurance that pays out a tax-free lump sum if someone is diagnosed with, or undergoes surgery for, a critical illness that meets the policy definition during the policy term and they survive a specified number of days. It's designed to help

support you and your family financially while you deal with your diagnosis – so you can focus on your recovery without worrying about how the bills will be paid.

## LIFE INSURANCE COVER

Life Insurance Cover pays out a lump sum if someone passes away during the policy term.

If you're diagnosed with a terminal illness and are not expected to live longer than 12 months, some policies will provide the sum prior to death. It's there to provide financial support for your loved ones after you're gone, whether that means helping to pay off the mortgage or maintaining their standard of living.

## PRIVATE MEDICAL INSURANCE COVER

Private Medical Insurance Cover is a type of cover that pays your private healthcare costs if someone has a treatable condition. Whether it's overnight care, outpatient treatment, diagnostic tests, scans or aftercare, you receive the specialist private treatment you need, in comfortable surroundings, when you need it. The cover is available at a range of different levels of cover at various premiums designed to meet your specific needs. ◀

## TIME TO SAFEGUARD YOUR FINANCIAL FUTURE?



The possibility of passing away prematurely, getting a serious illness or sustaining an injury isn't something we like to think about, but being prepared can help you to avoid money worries for both you and your family. To find out more, please contact us.



/// The coronavirus (COVID-19) outbreak has made many of us think more carefully about protecting ourselves and our family from financial difficulties.

# HOW TO TRACE MULTIPLE OLD PENSION POTS

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Over time, pension schemes close, merge or become renamed

**Changed job? Moved house?** It's not always easy to keep track of a pension, especially if you've been in more than one scheme or have changed employers throughout your career. Over time, pension schemes close, merge or become renamed. So even if you remember the name of your scheme, it could now be called something else.



**/// With the disappearance of the job-for-life and with more people moving jobs several times throughout their working life and accruing multiple pension pots along the way, it can be all too easy to lose track of the pension funds built up.**

**W**ith more of us changing jobs regularly throughout our working lives, it has become harder to keep track of old company pensions.

This is particularly the case for people who have moved home and whose pension providers no longer have their correct contact details.

With the disappearance of the job-for-life and with more people moving jobs several times throughout their working life and accruing multiple pension pots along the way, it can be all too easy to lose track of the pension funds built up.

So how can you go about tracing any pension schemes you have paid into at some point in the past?

#### **GET IN TOUCH WITH FORMER EMPLOYERS**

If your forgotten pension scheme was run by a company you worked for, you should contact them first. In some cases, individuals may not have been aware they were actually paying into a pension, especially if no monthly salary deductions were being made.

Most pension schemes must send you a statement each year. These statements include an estimate of the retirement income that the pension pot might give you when you reach retirement.

First, check to see if you have any old paperwork that might have the name of your employer or pension scheme. This will give you a good starting point. If you're no longer getting these statements – perhaps because you've changed your address – to track down the pension you can contact the pension provider, your former employer if it was a workplace pension, or The Pension Tracing Service.

#### **CONTACT PENSION PROVIDERS**

Even if your pension was linked to your job, it may have been run on your employer's behalf by a pension company. In this case, you should get in touch with the provider rather than your previous employer.

The same applies if you set up your own personal or stakeholder pension, for example. The Pensions Advisory Service, which is sponsored by the Department for Work and Pensions, can also help you look for a personal pension.

You'll need to provide information about the name of your old employer or pension provider, and potentially further information such as the dates you worked at the company and your National Insurance number.

If you know which provider your pension was with, your first step is to contact them. However you contact them, you should provide as many of the following details as possible: your plan number, your date of birth, your National Insurance number and the date your pension was set up.

#### **By asking the following questions, you'll get a thorough overview of your pension pot:**

- Q:** What is the current value of my pension pot?
- Q:** Have I nominated a recipient for any death benefits?
- Q:** How much has been contributed into my pension pot?
- Q:** What charges do I pay for the management of my pension pot?
- Q:** How much income is the pension pot likely to pay out at my chosen retirement date?
- Q:** How is my pension pot being invested and what options are there for making changes?
- Q:** What are the charges if I wanted to transfer the pension pot to another provider?
- Q:** What are the death benefits – in other words, how much money would be paid from the pension if I died?

#### **USE THE PENSION TRACING SERVICE**

An alternative way of tracking down a lost workplace or personal pension is by using the Pension Tracing Service. This is a free government scheme which can be accessed via the government website.

Again, you will need to provide as much information as possible about yourself and the dates you were a member of any scheme.

You can phone the Pension Tracing Service on 0800 731 0193 or submit a tracing request form to the Pension Service via the GOV.UK website.

#### **STICK TO OFFICIAL SERVICES**

Be warned though, from time to time, businesses are set up to offer similar tracking services to people who have lost pensions. Although they

are not necessarily doing anything illegal and often offer assistance for free, they may try to give the impression that they are official services.

In fact, they could be trying to obtain the personal information of people who have substantial pension savings so they can persuade these individuals to make investments or pay for financial advice, for example.

To reduce the risk of losing track of a pension in future, ensure you let providers know whenever you change your home address or any other details, such as your email address. ◀

#### **READY TO START A CONVERSATION ABOUT BUILDING A SUCCESSFUL FINANCIAL FUTURE?**



We'll help you navigate through the complexities of today's financial world. The choices available can often be bewildering, which is why we are here. Our goal is to work with you to build a successful financial future, where you can live a happy, secure and prosperous life. 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 THE 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.**

**THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.**

**ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS-TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.**

# Time for pensions to contribute towards **building a better world**

## New landmark report from the United Nations on the state of climate science

**As we have been witnessing in recent years and months, climate changes are occurring in every region and globally.** A new landmark report from the United Nations on the state of climate science has highlighted modern society's continued dependence on fossil fuels, which is warming the world at a pace that is unprecedented in the past 2,000 years. Its effects are already apparent as record droughts, wildfires and floods devastate communities worldwide.

**P**ut simply, net zero refers to the balance between the amount of greenhouse gas produced and the amount removed from the atmosphere. We reach net zero when the amount we add is no more than the amount taken away. The UK became the world's first major economy to set a target of being net zero by 2050.

### GREENHOUSE GAS

The Intergovernmental Panel on Climate Change report published on 9 August emphasises there is still time to act, but it must happen immediately. Limiting climate change demands strong and sustained reductions in greenhouse gas emissions from human activities such as burning fossil fuels.

One of the main areas where change can make a significant difference to all of our futures is how and where our pension money is invested. But the facts are, if money is invested in a standard, default pension, it could be doing more harm than good.

### CLIMATE CHANGE

Your pension is more than just a retirement fund, it can also contribute towards building a better world. However, one in four pension scheme members have never even heard of net zero, while three in ten can't explain or understand the connection with their pension pots and climate change.

According to new research<sup>[1]</sup>, almost nine in ten Defined Contribution (DC) scheme members were not aware of the importance of having their pension scheme aligned with a net zero goal. But, encouragingly, members were overwhelmingly in favour of their pensions moving towards net zero when the term was explained.

### COLLECTIVE POWER

The survey also uncovered that one in four (25%) have never heard of the term 'net zero' and a

further three in ten (31%) have heard of it but could not say what it means. In fact, 70% of DC members prefer remaining invested and using their collective power to engage with companies to align their businesses with global climate change efforts, or prepare them to thrive in a low-carbon economy.

Two-thirds (64%) of all members have become more concerned about the impact of human actions on the planet following the COVID-19 crisis. Rather than deprioritising environmental issues in favour of immediate concerns, the pandemic has thrust them into sharper focus as members explicitly linked them with their current situation.

### PERFORMANCE IMPACT

Millennials are the strongest supporters of engagement, with 79% of them supporting providers' stewardship activities. Their attitude also helps to explain their change of heart towards outright divestment. While still the most radical cohort of the three generations on this issue, half of Millennial members would consider divesting if it had no performance impact, while only two in five of them would divest no matter what.

Baby Boomers are twice as likely as Millennials to want to keep pensions as diversified as possible, even if that meant investing in fossil fuels, but the proportion has dropped from 30% to 25% over the past 18 months. The research also shows that more than a fifth of 'Boomers' (22%) are now happy to divest into a greener pension regardless of performance. This follows increased coverage of climate in the mainstream media and real concern about the impact of climate change on their children and grandchildren.

### YOUNGER VIEWS

Millennial men are the most likely to want a net zero pension irrespective of the impact on

financial performance. The proportion who feel this way (40%) is double that of the group showing the least interest, female Baby Boomers (20%).

As Baby Boomers move steadily into their retirement years, the balance of power will shift as Gen X starts to hold the largest share of pension assets. Younger views will be an important factor in shaping the direction of travel over the next ten years. This new cohort can no longer be assumed to be simply chasing maximum financial returns regardless of the impact on the planet. ◀

### WHAT GOOD COULD YOUR MONEY DO?



Humanity has its work cut out to create solutions to the many complex problems of the 21st century. We help you assess the risks – and opportunities – posed by companies' and countries' performance in critical areas, such as climate change, executive remuneration, and diversity and inclusion. Please speak to us for further information – we look forward to hearing from you.

#### Source data:

[1] Survey conducted in April 2021, based on a population of 3,056 adults currently contributing to a workplace pension. *Legal & General Investment Management* published 14 June 2021.

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# Coping with life-changing events

Plan for tomorrow, live for today

**Change is the only constant in life.** It inevitably involves twists and turns, with some that are expected while others may be entirely unplanned. When this happens, it's important to feel secure with the knowledge that you have the right contingency plan in place.

None of us can predict exactly what a life-changing event will be or when it will occur, and many of them will take you by surprise, whether good or bad. Here, we consider some major life events you may wish to discuss with us.

## DIVORCE AND MANAGING FINANCES

Managing your finances after divorce can sometimes feel like an impossible task, especially if the amount of money coming into your household is much less than when you were married. For some people, divorce can mean financial devastation or hardship.

You may lose half of what you have saved over the course of your adult life, and go into debt paying lawyer's fees and other expenses. Yet as messy and painful as divorce can be, it is often both necessary and ultimately a good thing – and it is possible to recover both financially and emotionally after a divorce.

When you're facing a divorce, you need to know where you stand financially. We can help you plan for a sound financial future, to give you security and peace of mind, allowing you to move forward with your life.

## THINKING ABOUT FINANCIAL PLANNING FOR LONG-TERM CARE

More people in the UK are living for longer, which is good news. However, this longevity brings certain challenges, such as how we will fund any long-term care that may be needed in the future. If you are one of the many people faced with helping a parent or another loved one find long-term care, then you are probably grappling with a lot of questions.

Among them: How can I bring this up in a way that won't upset them? How are they, or how are we, going to pay for this? What type of living situation is best?

Ageing comes with many joys and challenges. We can discuss with you the options to help cover your loved ones' care needs now and in the future.

## DEALING WITH YOUR FINANCES IN WIDOWHOOD

Coping with the death of a loved one can be extremely hard. You may be dealing with lots of different emotions, finding it hard to process them and having difficulties moving on. Losing your loved one, whether expected or sudden, can prove almost too much to bear.

But it's surprising how uninformed some spouses can be about each other's financial lives. Even in marriages that consciously attempt to integrate finances (joint bank accounts, both names on the mortgage), a lot of financial activity is specific to one spouse, for example, a credit card, retirement planning, an ownership interest in a business, investments, a car with only one name on the finance agreement.

After the death of a spouse, your financial situation will likely be a major concern. We will take the time to understand your needs and recommend solutions personally tailored to you.

## WHAT TO DO AND NOT DO WITH AN INHERITANCE

Losing someone you care about is one of the hardest experiences in life. Receiving an inheritance probably means coping with the death of a loved and cherished member of your family or a friend. The emotion associated with

bereavement often makes taking decisions about both their estate, and what you stand to inherit, difficult.

Most estates are settled within six to nine months in the UK, but it depends on the complexity of the estate. If it isn't handled appropriately, the pressure of the proceeds can be stressful, upset your relationships and complicate your finances.

During this difficult time we can help you to consider your options, assess any tax implications and decide how this inheritance could be used to provide you with financial security in the years ahead.

## THE IMPORTANCE OF FINANCIAL PLANNING

Financial planning helps you determine your short and long-term financial goals and create a balanced plan to meet those goals. The coronavirus (COVID-19) pandemic has demonstrated unequivocally that such unforeseen and unplanned-for events can wreak havoc on our personal finances.

Establishing clarity around your finances is arguably one of the most critical things you can do for your overall financial success. It is important to understand your financial needs and then create a financial plan to meet them. Tax planning, prudent spending and careful budgeting will help you keep more of your hard-earned cash.

We know you'll have different priorities for your wealth at different points in your life. Whatever your financial aims, we can help you achieve them for both you and your family. ◀

## TIME TO BRING CLARITY TO YOUR FINANCIAL AFFAIRS?

Everybody experiences life-changing events at some point, whether directly or through a loved one. To discuss how we can help you, please contact us.



# How has COVID-19 affected retirement plans?

Attitudes and aspirations of this year's retirees

**The coronavirus (COVID-19) pandemic has impacted on every aspect of our lives,** affecting individuals' financial situation and, for many, their plans for retirement. If you are approaching retirement in the next 12 months, your plans should be under continuous review.

**W**e take a look at new research which has highlighted the attitudes and aspirations of this year's retirees<sup>(1)</sup>.

## SHIFTING ATTITUDES

The pandemic has shifted attitudes and priorities across almost all aspects of people's lives, but specifically, the timing of retirement is one thing that has changed for many. The research uncovered that 37% of people have brought forward their retirement date in the past 12 months. The opportunity to work from home and escape the daily commute has freed up time to enjoy other things.

It has provided a glimpse into what retirement might look like and many like what they see. Some may have found themselves forced into an early retirement due to a change in work circumstances or redundancy. However, others were doing the opposite, with 12% deciding to delay retiring.

When you choose to retire is important, as the timing of it can limit or increase your earning potential prior to retiring. If you are considering changing your retirement date, it is important to discuss with us your updated plans so we can help you understand any impact this may have.

## FLEXIBLE RETIREMENT

Traditionally, when we think of retirement we think of the departure from working life. Although people often look forward to giving up work as

part of their retirement plans, others have no intention of doing so fully.

Whether it be a financial or emotional driver, the growing trend of working in retirement is clear from the research. Just 44% see retirement as giving up work completely.

The rise in flexible working as a result of COVID-19 has also been a contributing factor, making stepping back rather than stepping away much more achievable than ever before, with 22% planning a more flexible retirement by simply reducing their hours.

## FINANCIAL IMPACT

Unsurprisingly, travelling remains a key aspiration. However, research shows that 30% of people have had to reconsider their travel or holiday plans in retirement.

As a result of COVID-19, uncertainty around safety and travel restrictions has led to more and more people choosing a 'staycation' or investing in a UK-based holiday home rather than heading overseas.

Whether you're swapping the Côte d'Azur for the Cornish coast or simply delaying your travel plans, it's important to consider the financial impact, if any, that changing your original plans may have.

## CROSS-COUNTRY MOVES

Lockdown living forced many of us to reassess what is important, with 51% worrying about not being able to do the things they want to in retirement.

**/// In times of uncertainty, making a plan can seem like a waste of time. However, it's important to think ahead to retirement and review your plans for the future, and even more so as we face up to the protracted coronavirus crisis.**



As mentioned, travelling is one concern. However, for 43% of people, not being able to spend time with family and friends has been a worry. For the peace of mind that another national lockdown won't hinder the opportunity to visit loved ones, there has also been a trend in cross-country moves to be nearer to children and grandchildren.

A move in retirement may not have been on the cards prior to the pandemic; however, this may now have become a priority for many.

#### REVIEWING YOUR PLAN

In times of uncertainty, making a plan can seem like a waste of time. However, it's important to think ahead to retirement and review your plans for the future, and even more so as we face up to the protracted coronavirus crisis.

It's concerning to see some individuals accessing pension funds earlier than planned, with others thinking about this option. While this may

alleviate short-term financial pressures, it leaves less of a retirement fund to provide an income throughout what can be decades of retirement.

It's important not to rush into making life-changing retirement decisions without first seeking professional financial advice. ◀

#### HOW RESILIENT ARE YOUR FUTURE FINANCIAL PLANS?



There's a whole lot to think about when you're planning for retirement. Talk to us today about your future financial plan and we'll help you make sure it is a resilient one. To discuss your requirements, please contact us.

#### Source data:

*[1] Research by Standard Life Aberdeen, carried out in February 2021 by 3Gem - 1000 adults, aged 55+ and still working.*

**/// Traditionally, when we think of retirement we think of the departure from working life. Although people often look forward to giving up work as part of their retirement plans, others have no intention of doing so fully.**

# Property wealth boost

Older homeowners receive £1.94 billion

**Older homeowners received a £1.94 billion property wealth boost in the first half of 2021, data shows<sup>[1]</sup>.** More than half of the proceeds of equity release (52%) were used to clear mortgages (45%) and manage unsecured debts (7%), while 23% was used to help family and friends – notably for help with house deposits as buyers rushed to beat the end of the Stamp Duty holiday.



These 'big ticket' expenses saw an average of £74,894 in borrowing being repaid and £72,520 being gifted. Over half of people who used their equity to support wider family and friends used it to provide a house deposit (52%) or an early inheritance (59%) – some of which was no doubt also put towards property purchase.

## INVALUABLE SOURCE OF CASH

Equity release can be an invaluable source of cash for some over-55s. It enables homeowners to unlock the value locked up in their home as a tax-free lump sum without having to sell it, downsize or relocate.

Your home must have a minimum value of £70,000 and be your permanent main residence in the UK, which you live in for more than six months of the year. With equity release you don't have to make monthly payments, unless you choose to. It's usually repaid when the last borrower moves into long-term care or dies.

## WHAT TYPES OF EQUITY RELEASE PLANS ARE THERE?

**There are two main types of equity release:**

**Lifetime Mortgage:** This is the most common type of equity release. You borrow money

secured against your home. The mortgage is usually repaid from the sale of your home when you die or move permanently into residential care.

**Home Reversion Plan:** You raise money by selling all or part of your home while continuing to live in it until you die or move into permanent residential care.

## TOTAL VALUE RELEASED

The data revealed an increase in the amount of money used for property purchases – around 7% of the total value released went towards buying homes, with the average customer taking out £115,068 to boost their buying power.

Around 71% of people took out drawdown plans in the first half of the year, taking an initial average amount of £56,744 and reserving another £666.4 million for future use.

## DOUBLE DIGIT GAINS

The data reflects the whole market and shows that every region apart from Northern Ireland saw the value of property wealth released increase. London recorded the biggest increase at 74% while Wales recorded a 42.1% rise and another seven regions saw double digit gains.

Wales recorded the biggest rise in plan sales at 24.1%, followed by London on 22.6%, and a total of seven out of the 12 regions saw increases in plan sales.

The strength of the housing market in the South East and London meant those regions accounted for just over £1 billion of all equity released – more than half the total across the UK during the six months – despite accounting for only 34% of plans sold. ◀

## WHAT WOULD YOU LIKE TO PLAN FOR?

When you have a clear picture of what matters to you most, you become more confident in what you want to achieve. It's also important that you receive expert professional and personalised advice about all the options and income sources available. To find out more, please contact us for more information.

**Source data:**

*[1] Key Market monitor Equity release performance in the UK Half year 2021*

**THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR MORTGAGE IS SECURED ON YOUR HOME, WHICH YOU COULD LOSE IF YOU DO NOT KEEP UP YOUR MORTGAGE PAYMENTS.**

**EQUITY RELEASE MAY INVOLVE A HOME REVERSION PLAN OR LIFETIME MORTGAGE WHICH IS SECURED AGAINST YOUR PROPERTY. TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR A PERSONALISED ILLUSTRATION.**

**EQUITY RELEASE REQUIRES PAYING OFF ANY OUTSTANDING MORTGAGE. EQUITY RELEASED, PLUS ACCRUED INTEREST, TO BE REPAID UPON DEATH OR MOVING INTO LONG-TERM CARE. EQUITY RELEASE WILL AFFECT THE AMOUNT OF INHERITANCE YOU CAN LEAVE AND MAY AFFECT YOUR ENTITLEMENT TO MEANS-TESTED BENEFITS NOW OR IN THE FUTURE.**

**CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT.**

**IF YOU ARE IN ANY DOUBT, SEEK PROFESSIONAL FINANCIAL ADVICE.**



/// The research highlights that there is always a difference in pension pot sizes between genders<sup>[2]</sup>, even at the start of men's and women's careers.

# Gender pension gap

British women impacted at every stage of career

The staggering impact of the gender pension gap has been revealed in research which shows that women have lower pension pot sizes in every age bracket, with the situation significantly deteriorating as they approach retirement<sup>[1]</sup>.

## PENSION POT SIZES

The research highlights that there is always a difference in pension pot sizes between genders<sup>[2]</sup>, even at the start of men's and women's careers. This initial gap (17%) remains largely unchanged until men and women reach their thirties, but doubles to 34% by the time they are in their forties. The gap increases to 51% in the fifties age bracket, and then to 56% at retirement.

The analysis also reveals that the difference in size of pot has a significant influence on the choices being made at retirement. 92% of women choose to take their pension in cash compared to 86% of men, while only 7% of women consider a drawdown compared to 12% of men.

## INVESTMENT EARNINGS

The issue is compounded by the fact that even in sectors where women are more heavily represented in the workforce, the pension gap remains just as stark. For example, in the Senior Care sector, the research shows that 85% of pension scheme members are women, yet the average woman's pot size is 47% smaller than the average man's (£8,040 current male average pot size).

Defined Contribution (DC) pensions have grown substantially in recent years, with the introduction of auto-enrolment. DC pensions are a retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to

these accounts plus any investment earnings on the money in the account.

## CAREER PROGRESSION

However, much like the gender pay gap in wages, the gender pension gap is fast becoming an issue. This analysis reveals the extent of the gender pension gap in the UK – a gap that exists right from the very beginning of a woman's career and accelerates as she approaches retirement.

The decision to take a career break to raise a family has a clear impact, though there are a number of other factors at play here, including lower pay relative to male peers at all stages of a woman's career, a lack of pension contributions when she is away from the workplace, and the potential impact that raising a family has on a woman's career progression.

## FINANCIAL STRUGGLES

The research shows women are also more likely to face financial struggles following a divorce from their partner and are significantly more likely to waive their rights to a partner's pension as part of their divorce. This is particularly true for older women, with one in four divorces occurring after the age of 50.

Changing social and workplace attitudes should help begin to level the playing field in terms of responsibilities, helped by the increasing acceptance of more flexible working patterns. The gender pay and pension gap is a complex issue that will take time to solve. ◀

## IT'S NEVER TOO SOON TO START THINKING ABOUT THE RETIREMENT YOU WANT

Whether you're saving for retirement or planning your life now that you've retired, receiving professional financial advice can be hugely important in order to maximise your savings and avoid costly mistakes. To discuss how we could help you, please contact us for further information.

### Source data:

*[1] Research and data analysis from approximately 4 million Legal & General (L&G) pension scheme members 28 Jul 2021.*

*[2] The analysis is based on LGIM's proprietary data on c.4 million Defined Contribution members as at 6 April 2021, but does not take into account any other pension provision the customers may have elsewhere.*

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**/// Research by the International Longevity Centre UK (ILC)<sup>[1]</sup> finds that self-employed Gen X workers are five times more likely to have no pension provision than other workers due to a lack of access to traditional pension schemes.**

# Financial futures

## Gen Xers expected to face significant challenges in retirement

**With many Gen Xers (those born between 1965 and 1980) having entered the job market too late to benefit from final salary pensions, yet too early to benefit from schemes such as auto-enrolment, this group is expected to face significant challenges in retirement if policymakers fail to respond urgently.**

**T**here are currently 14 million Gen Xers in the UK – 1 in 5 of the total population. With the ongoing COVID-19 pandemic putting additional strain on finances, the case for policy action becomes urgent.

### NO PENSION PROVISION

Research by the International Longevity Centre UK (ILC)<sup>[1]</sup> finds that self-employed Gen X workers are five times more likely to have no pension provision than other workers due to a lack of access to traditional pension schemes.

The report on the impact of longevity, finds that self-employed Gen Xers (those born between 1965 and 1980) are at high risk of facing inadequate income in retirement. This is in part due to self-employed Gen Xers being more likely to face periods of low or insecure pay, alongside a more general lack of incentives to save.

### IMPACTED BY COVID-19

While the adoption of auto-enrolment into pension schemes, for example, has been highly successful in supporting many employees to start saving, there haven't been similar initiatives to support the self-employed, and people in this group can't rely on contributions from an employer to top up their pension pots.

Self-employment, including in the gig economy, is on the rise among Gen X workers. While overall, 19% of Gen Xers say they struggle to save for retirement due to insecure earnings, this is more than double for those who are self-employed – 44%. The research, based on a nationally representative YouGov survey of 6,035 people, identified self-employed Gen X workers have been further impacted by COVID-19, with 39% reporting spending their savings or saving less due to the pandemic.

### FLEXIBILITY DURING HARD TIMES

In the report, ILC call for policymakers urgently to offer an equivalent to auto-enrolment to the self-employed – but in a way that offers more flexibility during hard times – by giving this group the option to save into a Sidecar Savings Scheme (as well as a traditional pension).

This would enable savers to pre-commit to regularly put money into an accessible savings account, and once these savings have reached an agreed target – which ensures they have sufficient savings for a 'rainy day' – to automatically transfer any additional payments into a pension.

### VARIABLE OR INSECURE PAY

Many Generation Xers don't have adequate pension savings in place and, sadly, this financial

vulnerability is exacerbated if they are also self-employed. Many people who are self-employed are likely to face periods when they are on variable or insecure pay, but there is also a worrying lack of incentive for them to save for their financial futures.

With self-employment and the gig economy on the rise, it's vital that saving for retirement is encouraged and more easily facilitated for these workers and we would welcome any moves by policymakers to introduce an equivalent auto-enrolment scheme for the self-employed, which we know has worked so well for employees. ◀

### WHAT WILL YOUR RETIREMENT LOOK LIKE?

Retirement might seem a long way off. And if that's the case, then great, because you're in the best position to start planning for what should be the longest holiday of your life. Speak to us for more information or to discuss your requirements – we look forward to hearing from you.

#### Source data:

*[1] The findings are ILC calculations based on nationally representative YouGov survey responses of 6,035 UK adults aged 40-55 (collected online between 13-24 November 2020). The survey was carried out online. The figures have been weighted and are representative of all UK adults aged 40-55.*

# Intergenerational financial planning

## COVID-19 increases desire for sustainable investing for half of UK adults

The coronavirus (COVID-19) pandemic has prompted a desire to move into ethical and sustainable investing for more than half (51%) of advised UK adults, according to a new report<sup>[1]</sup>. And while the trend is common across the generations, it's Millennials who are leading the charge.

The report found that 61% now care more about the environment and the planet than they did before the pandemic. More than a quarter (26%) of respondents admit they are more concerned than they've ever been. And one in five (21%) say they are more worried now that they have children/grandchildren.

### SUSTAINABLE COMPANIES AND FUNDS

The pandemic has undoubtedly fuelled investor demand for sustainable investing and this is trickling down amongst generations: 60% of Millennials, 44% of Gen X and 35% of Baby Boomers confirmed that COVID-19 has increased their appetite for sustainable investments. And many investors go further. 45% confirmed that since the pandemic they now only want to invest in sustainable companies and funds.

Despite the desire for ethical and sustainable investing, more than a third (36%) of UK adults admit they actually have no idea what their current investments – including workplace and private pensions – are invested in, as they have little to no control.

### REFRAMED FINANCIAL PRIORITIES

For many, the pandemic has shifted their financial priorities, prompting more to seek professional

financial advice. One in two (53%) respondents said they had either already sought advice – or were planning to because of the pandemic. And just over one in five (21%) were seeking advice to begin their investment journey, potentially fuelled by individuals who had built up savings not having the traditional outlets for spending their income.

With £5.5 trillion in personal wealth due to be passed to the next generation by 2047, the role intergenerational planning advice played, prior to the pandemic, was already a significant one<sup>[2]</sup>. Yet the COVID-19 pandemic has reframed financial priorities. Not just for those later in life with Inheritance Tax liabilities but for all generations.

### PLANET, ENVIRONMENT AND SOCIETY

Once perhaps viewed as a fad, sustainable investing is becoming normalised, making it a fundamental building block within intergenerational financial planning. It also enables parents to leave their children more than just a financial legacy in terms of the planet, environment and society.

Two in five advised investors surveyed confirmed they expect to increase the amount they invest in Environmental, Social and Governance (ESG) investments over the next five years. ◀

### LOOKING FOR AUTHENTICITY IN SUSTAINABILITY AND INVESTMENT?

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As attitudes continue to change, investors are increasingly looking to make a positive contribution to society and the environment through their personal finances, driving us towards a cleaner, healthier and more equitable future. ESG considerations regarding the investment approach aim to help investors do just that. To find out more – speak to us to review your options.

#### Source data:

[1] Second chapter of Prudential UK's Family Wealth Unlocked report. Research was carried by Opinium among a UK representative sample of 1,000 advised families. The study was completed in November 2020.

[2] Kings Court Trust's Inheritance Economy Research Papers: Passing on the Pounds and Wealth Transfer in the UK. Research conducted by The Centre for Economics and Business Research.

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# Retirement plans being put in jeopardy

Pandemic threatens pushing over-50s into pension poverty

**More than half (53%) of people in their 50s fear running out of money in retirement,** as they have been the most likely to face job and income losses of any age group during the coronavirus (COVID-19) pandemic (23%), according to a new report<sup>[1]</sup>.

## FINANCES IMPACTED

The number of those over age 55 dipping into their pension early has increased this year, as some have struggled to pay for essentials during the pandemic. The report reveals that one in three people in their 50s (37%) have seen their finances impacted during the pandemic, more than any other age group. Faced with job losses and their pension contributions falling or stopping altogether, 13% now believe they will never be able to afford to give up work.

To tide them over, an increasing number of over-55s have been taking advantage of pension freedoms and accessing their retirement savings early. In the first three months of 2021 alone, 383,000 people withdrew money from their pension – a 10% jump on the same period last year.

## COMPANY SCHEME

As well as putting their retirement plans in jeopardy, some people may face an unexpected Income Tax bill if they continue saving into a pension after they have withdrawn money from a pension. This could happen for anyone made redundant who then re-joins the workforce and

is enrolled into the company scheme.

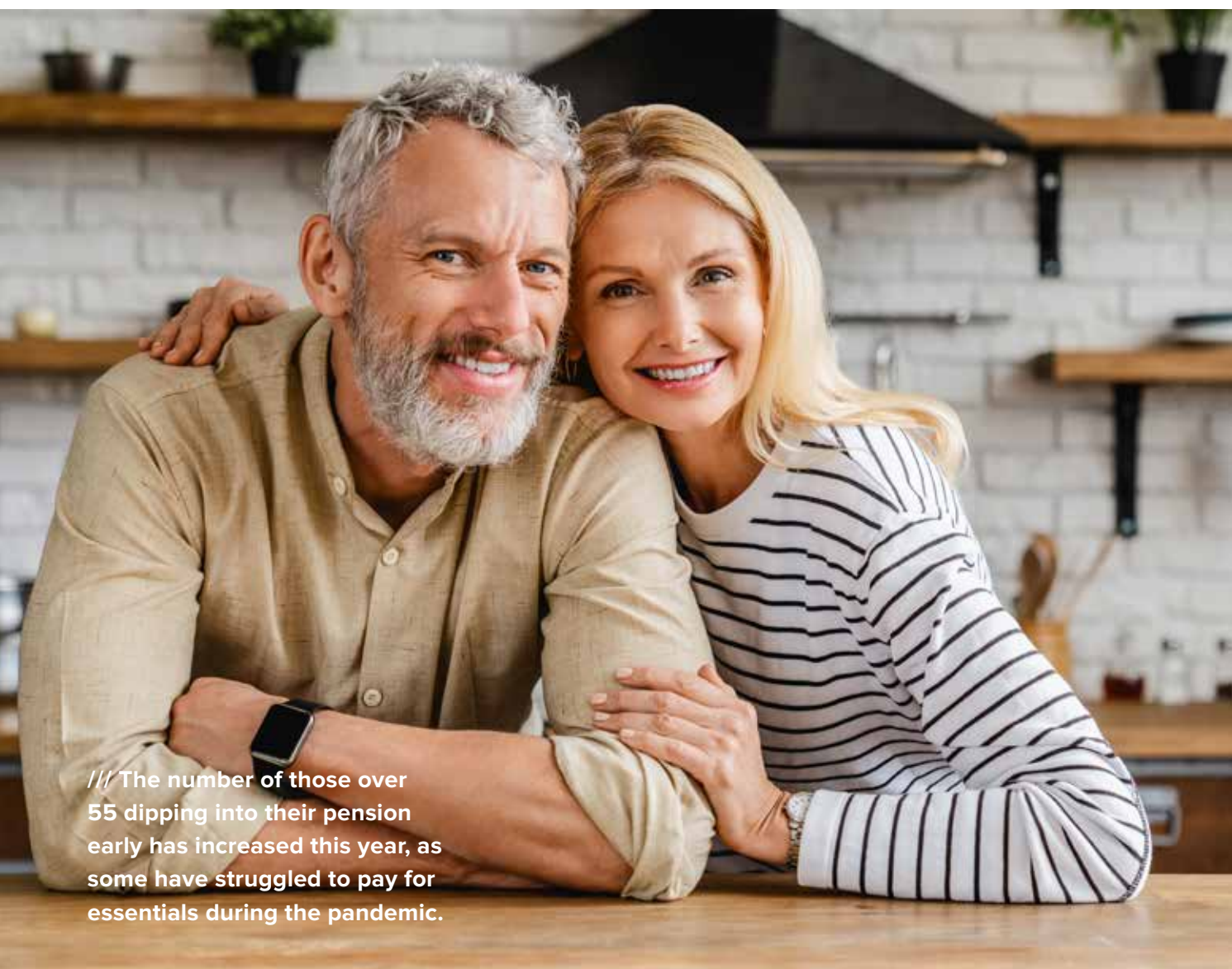
Current rules state that savers can put £40,000 into their pension each year (including employee and employer contributions) and receive tax relief on these savings. Basic rate taxpayers receive 20% pension tax relief and higher rate taxpayers 40% pension tax relief.

## LIVING COSTS

However, once someone accesses their pension, no matter how small the amount they take out, Money Purchase Annual Allowance (MPAA) rules mean the amount they can save in a year and still obtain tax relief falls significantly to just £4,000 per year. Anything they pay in over this limit will attract a bill from the taxman.

The later middle-aged have not enjoyed the 'offsetting' benefits of the pandemic – such as a cut on commuting costs and reduced leisure activity costs – that other age groups have, with only one in six (16%) reporting a decrease in living costs compared to a quarter (25%) of those in their 20s.

At the same time, one in five workers (17%) in their 50s are self-employed, compared to only 12% of 25-49-year-olds.



/// The number of those over 55 dipping into their pension early has increased this year, as some have struggled to pay for essentials during the pandemic.

#### CHALLENGING TIME

With less job security, a lower income on average and well-publicised issues accessing government support, COVID-19 has made it a challenging time to be self-employed. More than half of people who work for themselves have seen their finances suffer, compared to 25% of permanent employees.

While we're right to be worried about the lasting impact of this pandemic on all age groups, those in their 50s need to act urgently to get their savings back on track before retirement, having been forced to use their existing savings just to get by. ◀

#### WHAT STAGE OF RETIREMENT ARE YOU AT?

We all have our own idea of the life we'd like to lead after we've left the 9 to 5 behind. Whatever your vision, we're here to talk you through your options. To find out more, please contact us.



/// As well as putting their retirement plans in jeopardy, some people may face an unexpected Income Tax bill if they continue saving into a pension after they have withdrawn money from a pension.

#### Source data:

[1] Scottish Widows Retirement Report, the research included general questions on pensions and retirement planning and was carried out online by YouGov Plc across a total of 5,059 adults aged 18+. Data was weighted to be representative of the GB population. Fieldwork was carried out between 23 March and 3 April 2021 through a 15-minute online survey. 5,059 interviews were carried out. The sampling criteria were based on four key metrics: age, gender, region and social grade.

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

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS-TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

# What will happen to your pension when you die?

Providing an income or nest egg for your loved ones to enjoy, long after you are gone

**The way that you decide to take your pension will affect what you can do with it when you pass away.** While it's not always easy to talk about, the way you eventually pass on your pension has the biggest impact on other people, so it will help talking to your spouse, children or other people close to you when you're deciding how you take your pension savings.

## PENSION DEATH BENEFITS

The type of benefits that can be paid (lump sum and/or income options) will depend on the scheme rules and the type of arrangement the benefits are being paid from. If you have the option to nominate whom you want to benefit, this may have an impact on the type of death benefits that can be paid.

## NOMINATE A BENEFICIARY

You can let your pension provider know whom you would want to leave your pension to in the event of your death (the nominee) by completing a nomination or expression of wish form. While this is not binding, it will be taken into account when paying death benefits.

It's therefore really important to keep this information up to date as your wishes and circumstances change. Contact your provider and ask for a nomination or expression of wish form to nominate who should inherit your pension.

## ANNUITY DEATH BENEFITS

Rather than have your money die with you, you may have selected a guarantee period or a joint life option, or both, when you set up your annuity. This means an ongoing income will be paid to your loved ones for either a set period of time – or for the rest of their lives.

## FLEXI-ACCESS DRAWDOWN BENEFITS

If you die before age 75 with your money in flexi-access drawdown, your spouse, partner,

dependant or nominated beneficiary can stay in the flexi-access drawdown plan and take income tax-free and take the remaining value as a lump sum tax-free. They could also buy an annuity, where income would be paid tax-free.

If you die after age 75 with your money in flexi-access drawdown, your beneficiary can stay in the flexi-access drawdown plan and take income subject to tax at their marginal rate. They could also take the pension as a lump sum, which will be subject to Income Tax at their marginal rate or buy an annuity, where income is subject to tax at their marginal rate.

## SERIOUS ILL HEALTH

If you're under the age of 75 and become seriously ill (you're expected to have less than 12 months to live) you may be able to take your whole pension fund as a tax-free lump sum. If you're over the age of 75 in this circumstance you may take any remaining pension as a cash lump sum, which will be added to your income and taxed accordingly.

## WHAT HAPPENS TO YOUR STATE PENSION?

When you die, your husband, wife or registered civil partner may be entitled to receive some of your State Pension entitlements depending on individual circumstances. They need to be over State Pension age to claim extra payments.

What they receive and how they claim will depend on whether they reached State

Pension age before or after 6 April 2016.

They will not get it if they remarry or form a new registered civil partnership before they reach State Pension age.

If they reached State Pension age on or after 6 April 2016 they'll receive the 'new State Pension' and they may be able to inherit an extra payment on top of their pension. ◀

## GETTING READY TO RETIRE?

Professional financial advice can help you manage your money before and during retirement. To find out more and discuss your options – please contact us.

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**/// Two-fifths (43%) of respondents said they would feel more relaxed about using the same adviser as their parents, while a third (34%) said they would trust them, and they'd feel relieved.**



# Keeping it in the family

Two in three people accessing advice share same financial adviser as their parents

**Never before has there been such a big difference between the wealth of the UK's older and younger generations.** The coming years will see trillions' worth of investable assets and housing wealth move primarily from the Baby Boomer generation to their children, the Millennial generation.

**A**s families up and down the country seek professional financial advice to support them with wealth transfer and future planning during the coronavirus (COVID-19) pandemic, according to a new report<sup>[1]</sup>, two-thirds (67%) of people whose parents have an adviser also use them.

#### TALKING OPENLY

Two-fifths (43%) of respondents said they would feel more relaxed about using the same adviser as their parents, while a third (34%) said they would trust them, and they'd feel relieved.

But while many families share the same professional adviser, the research also highlights 33% of people whose parents have a financial adviser do not also use them. Almost half (47%) admitted to 'talking openly to each other about finances', with only 7% revealing they 'don't trust their family members'.

#### KEY SCENARIOS

The research highlighted an unexpected windfall (24%), receiving an inheritance (24%) and preparing for retirement (23%) are the key scenarios most likely to prompt people to seek advice from a professional financial adviser.

Families are also becoming increasingly aware of their legacy and wealth transfer. It appears the COVID-19 pandemic has been a contributing factor in bringing families together to talk more

openly about their futures, consider their financial goals and begin planning accordingly.

#### HUGELY ENCOURAGING

The report highlighted how, especially for the younger generations, the need for financial support and guidance is most pronounced. It is hugely encouraging that many people are seeking the services of the same professional financial adviser as another family member at some stage during their life.

And, with around 86% of those seeking advice actively doing so in the last five years, it seems the value of advice is increasingly being understood. ◀

#### LOOKING FOR ADVICE TAILORED TO YOUR CURRENT SITUATION AND FUTURE HOPES?

We'll make sure your money is working as hard as you are. The services we offer are built around your specific needs, with advice tailored to your current situation and future hopes. To find out more, speak to us to review your options.

#### Source data:

*[1] Family Wealth Unlocked report from Prudential UK. Research was carried by Opinium among a UK representative sample of 1,000 advised families. The survey was completed in November 2020.*



# Coronavirus alters retirement plans

One in eight older workers extend their planned retirement age

**The coronavirus (COVID-19) crisis has disrupted many people's working lives in ways we couldn't have imagined.** It's been deeply worrying to see some people now planning to retire earlier than they intended – including many who have been on furlough.



That's fine where it's a positive choice, but for some it won't be and will leave them poorer or in financial difficulty in later life. We know that once out of work, over-50s struggle more than any other group to get back into employment.

## NEW WORKING PRACTICES

Analysis has highlighted that one in eight older workers (13%) have already changed their planned retirement age as a result of the coronavirus (COVID-19) pandemic, with 8% now planning to retire later than they had previously intended<sup>[1]</sup>.

Some people are now looking to work for longer to make up for a fall in their wealth, while others want to do so because new working practices make staying in work easier or more appealing. 5% are planning to retire earlier than they had previously intended – with this being

more common among wealthier households and those on furlough.

## WORSENING FINANCIAL SITUATION

Almost a third of older workers report that their financial situation has worsened as a result of the pandemic, with those who were, in any case, struggling financially much more likely than those who are better off to report a worsening in their financial situation.

This suggests that COVID-19 has widened financial inequalities within the older population. It is also notable that many more older workers are worried about their future financial situation than are those who are already retired.

## WEATHER INCOME SHOCKS

A significant minority of older people working immediately before the pandemic are now retired – 6% of those aged between 66 and

70 and 11% of those aged 71 and older. While some may have been planning to retire around this time anyway, this is not true of all.

Not all older individuals have wealth to help them weather income shocks. Among those whose income has fallen since the outbreak of the pandemic, 23% have household net financial wealth of less than £500 per person. In response to their falling incomes, 5% have drawn on pension savings, 4% have borrowed from a bank and 5% have borrowed from family or friends.

## FUTURE FINANCIAL SITUATION

Fluctuations in stock markets will have impacted the growing minority of older people who hold some wealth in equities. Around 34% of older workers and 41% of retirees hold wealth directly in risky assets, while 54% of older workers have defined contribution pensions. Wealth will be permanently reduced if individuals draw on it before asset prices recover.

As would be expected, concerns are strongly related to wealth, with just over half (52%) of the poorest fifth of the population worried about their future financial situation, compared with only just over one in ten of those in the wealthiest fifth. ◀

## WANT TO UNDERSTAND YOUR OPTIONS FOR RETIREMENT?

Whatever situation you find yourself in, we help you to understand your options for retirement and later life and look at how to plan for your future cash flow needs. To find out more, please contact us.

### Source data:

*[1] Findings from two new briefing notes published by the Institute for Fiscal Studies (IFS), funded by the Centre for Ageing Better (on older adults' work activities and expectations) and by UK Research and Innovation (on the financial consequences of the crisis for older adults). The analysis draws on new data from the English Longitudinal Study of Ageing (ELSA) COVID-19 study. This specially conducted survey, made possible with funding from UK Research and Innovation, the US National Institute of Aging and a consortium of UK government departments, interviewed adults in their 50s and older in June to July 2020.*

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# Planning for a better financial future

Have you made sure your plans are still on track?

**It's been nearly two years since the first novel coronavirus (COVID-19) case was detected.** The economic impact of the pandemic has not been equally distributed amongst all adults and, where inequalities existed before the pandemic, these may have been widened or closed.

**T**he pandemic has caused a drop in household income for around a third of all UK adults according to a Financial Conduct Authority (FCA) survey<sup>[1]</sup>.

But what lessons can be learnt about how attitudes towards our personal finances may need to change? You might want to start thinking about even the smallest changes you could make to put yourself in a better financial situation in the future.

## DO I HAVE AN EMERGENCY FUND I CAN ACCESS QUICKLY?

While the pandemic is surely not an everyday occurrence, it could happen again and therefore it makes sense to have an emergency fund to cover essential spending for at least three to six months that can be accessed quickly.

If you have money set aside for emergencies, you're far less likely to experience financial difficulties or have to borrow at a high interest rate if things go wrong or your circumstances change. The impact of COVID-19 surprised everyone, and it's definitely been a very challenging time financially for many families.

If you already have an emergency fund in place and you're able to still contribute, you might consider continuing to put money into it to give yourself a financial cushion in light of these uncertain times.

But if you don't have an emergency fund to fall back on, now is the time to start building one. Knowing you've got some money tucked away might help you sleep better at night too.

## DO I HAVE LIFE INSURANCE COVER ALONGSIDE MY DEATH IN SERVICE?

In the future, what if your employer releases you as part of the lay-offs forced by something like the COVID-19 pandemic? If you have death in service benefit from your employer, it's understandable to question whether you really need a separate life insurance policy.

However, it's generally a good idea to have life insurance cover alongside your death in service benefit. For example, even if you have a generous employer, the payout from the death in service cover may not be enough to pay off your mortgage in its entirety. And even if it does, it may leave your loved ones with only a small amount left over to cover the various other costs they will have to deal with after you have passed away, from your funeral to getting by without your regular income.

There's also the fact that very few of us stay in the same job for our entire working lives. So while you may have a generous scheme in place currently, you could move to a new job with a better salary but which has smaller death in service protection, or even no cover at all.

Having a dedicated life insurance policy protects you against that variance, ensuring that your loved ones are financially protected in all eventualities should you pass away. Any death in service payout can then be viewed as a bonus.

## AM I COVERED FOR LOSS OF INCOME IF I'M UNABLE TO WORK?

Regardless of your age, health, level of financial independence or homeowner status, you

are most likely to have some form of regular financial outgoings.

You might need income protection insurance if you are self-employed, are employed but your employer offers limited sickness benefits, have limited savings, have dependants or people relying on your income or you are single and responsible for all household expenses

Income protection insurance provides a monthly replacement income, tax-free, if you are forced to stop work for a specified medical reason. It can pay out for stress-related or mental health illnesses, as well as physical or sudden health conditions such as back pain, cancer or a stroke.

Income protection gives you the peace of mind that your bills will be paid if you are off work due to illness or injury. Typically you are covered until retirement or returning to work, depending on the policy taken out.

Most people in the UK are eligible for up to 28 weeks' statutory sick pay, funded by the government, if they are too ill to work. But this is currently only £96.35 a week (tax year 2021/22), which is why some form of personal insurance could be needed. ◀

## ARE YOUR PLANS ON TRACK FOR THE FUTURE YOU WANT?

You have meaningful goals. We can help you achieve them. No matter what you want to accomplish, our focus starts and ends with you. We'll work with you to provide ongoing, comprehensive planning and advice to help you succeed. Speak to us today and make sure your plans are on track for the future you want.

**Source data:**

[1] <https://www.fca.org.uk/insight/gender-personal-finances-and-covid-19#:~:text=The%20pandemic%20has%20caused%20a,changes%20in%20their%20financial%20situation.>

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# What's happening with inflation?

Easing of lockdowns boosts consumer confidence and unleashes pent-up demand

**Understanding inflation is an important factor when it comes to your financial success.** If you don't factor inflation in when deciding where to put your money – whether that's savings accounts or investing – you could find your wealth shrinks over the years.

The current causes of higher inflation are largely COVID-related. The easing of lockdowns has boosted consumer confidence and unleashed pent-up demand. At the same time, bottlenecks in production and distribution are squeezing supplies – from building materials to foodstuffs. This supply and demand imbalance has forced up some prices.

The rate of inflation is the change in prices for goods and services over time. On 18 August, the Office for National Statistics reported the Consumer Prices Index measure of inflation saw a surprise slowdown in the year to July, down to the Bank of England's target of 2% from 2.5% in June.

## GROWING REALISATION

A sustained period of low inflation may have blunted some people's concerns about inflation. But there's now a growing realisation that high inflation could be around the corner, which reduces your purchasing power and what you could buy with your savings over time.

Some investors and savers may underestimate the damaging effects of inflation on their wealth. Keeping money in the bank typically earns interest, but if the interest rate is lower than inflation, money or purchasing power is effectively being lost.

## PENSION SAVERS

People on fixed incomes – such as those whose pensions aren't inflation-linked or workers on a static wage – are especially vulnerable to the effects of inflation. As living costs rise, your money doesn't go so far.

Pension savers need to think about what their savings might be worth during retirement – often a long time into the future. Inflation can make the

difference between an enjoyable retirement and a frugal, worrisome one.

## ABOVE-INFLATION RETURNS

That's why you should consider mitigating the effects of inflation by investing at least some of your money in assets that aim to offer above-inflation returns.

Arguably, we can expect inflation to settle back to lower levels once the post-pandemic surge in demand has been sated and supply chains are smoothed out. But even so, with the global economy poised for a strong rebound, most central banks are keen to get back to 'normal' monetary conditions. So rock-bottom interest rates can't last forever.

## GOOD INVESTMENT

Bonds and other assets that pay a fixed income and/or a fixed investment return are especially vulnerable to inflation. Bonds become less valuable as inflation and interest rates rise, reflected in falling bond prices and rising yields.

Conversely, shares are generally a good investment during periods of modest inflation. A company's fortunes typically track consumer demand and economic growth. If demand is strong, companies can raise prices, boosting the profits from which they pay dividends to their shareholders.

## TRACK RECORD

Besides shares, there are other assets with a track record of doing well during times of moderate inflation. These include infrastructure assets, where income streams increase as demand grows and the assets mature.

Likewise, gold and other commodities can be useful stores of value to hedge against inflation. So the good news is that it is possible to get an inflation-beating return on your savings, as there are different investment opportunities. However, these involve taking on a little more risk than with a cash savings account. ◀

## TIME TO DISCUSS MITIGATING THE IMPACT OF INFLATION ON YOUR FINANCIAL PLANS?

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Inflation doesn't just affect our everyday expenses, but could also impact our savings, investments and pensions. To discuss how we can help you plan to mitigate the impact of inflation on your financial plans, please contact us – we look forward to hearing from you.

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# BANK OF ENGLAND