NOVEMBER/DECEMBER 2021

Carter Moore

Financial Advice &
Wealth Management Ltd

HOW CAN I PROTECT MY WEALTH FROM INFLATION?

Five questions to ask before inflation really takes off

UK PENSIONERS UNDERPAID
More than £1 billion in State Pensions impacted due to 'repeated human errors'

MINIMUM PENSION AGE ON THE UP!
Increase intended to align with the raising of the State Pension age

CHANGE TO THE STATE PENSION TRIPLE LOCK
Pensioners 'deeply disappointed', particularly women and self-employed

Carter Moore Financial Advice & Wealth Management Ltd, Regus House, Windmill Hill Business Park, Swindon, Wiltshire, SN5 6QR.
T: 01793 441845 | E: enquiries@cartermoore.co.uk | W: www.cartermoore.co.uk

Inside **this issue**

Welcome to our latest edition. This issue was written prior to the Chancellor of the Exchequer, Rishi Sunak, presenting the second UK Budget of 2021 on Wednesday 27 October. We will look at the key announcements included in the Chancellor's red box in the next issue.

Inside, 'How can I protect my money from inflation?' is a question that many people may be asking themselves right now. In the current economic climate, rising inflation is becoming a concern for people with savings and investments. The effect means you're potentially earning less money due to your hard-earned cash becoming worth less as time goes by. The negative impact of inflation upon the real value of an investor's portfolio will be a concern, particularly for the older generation with not enough investments, who may live mostly or entirely off their savings and pensions. On page 06 we consider five questions you should ask yourself before inflation takes off.

The Department for Work and Pensions (DWP) underpaid 134,000 pensioners in State Pension to the tune of £1 billion, according to the National Audit Office (NAO). Complex State Pension rules, outdated and unautomated IT systems, and a high degree of manual review and understanding required by case workers led to the errors uncovered by the investigation. Errors affected pensioners who first claimed their State Pension before April 2016, do not have a full National Insurance record, and who should have received certain increases in their basic State Pension. Read the full article on page 08.

On page 24 we look at one of the less publicised pension changes being planned – the raising of the Normal Minimum Pension Age (NMPA) from 55 to 57. This is to be effective from 2028 and will be included in next year's Finance Bill. The NMPA is the age that you can usually first access pension benefits without incurring penal tax charges. Pensions tax rules in the UK are some of the most complicated aspects of UK tax legislation – not ideal when pretty much everyone has to interact with them.

The earnings benchmark of the State Pension triple lock will be temporarily set aside for next year. The Department for Work and Pensions (DWP) confirmed on 7 September that the State Pension triple lock rule will not be applied for the 2022/23 financial year over concerns of the potential costs involved. It comes after the Office for Budget Responsibility (OBR) said in July that pensioners could see their payments rise by as much as 8% due to the guarantee. Read the full article on page 05.

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

MONEY DOESN'T HAVE TO BE COMPLICATED

Whatever your needs and aspirations, we can help you enjoy today while planning for tomorrow. We hope you enjoy our latest issue, and if you require any further information or would like to start a conversation – please contact us.

C O N T E N T S

04
PANDEMIC TRIGGERS SHIFT TO SAVING
People thinking more about their spending and financial priorities

05
CHANGE TO THE STATE PENSION TRIPLE LOCK
Pensioners 'deeply disappointed', particularly women and self-employed

06
HOW CAN I PROTECT MY WEALTH FROM INFLATION?
Five questions to ask before inflation really takes off

08
UK PENSIONERS UNDERPAID
More than £1 billion in State Pensions impacted due to 'repeated human errors'

09
FESTIVE GIFTS THAT TEACH CHILDREN THE VALUE OF MONEY
Why parents should look to Christmas investment gifts instead of toys

10
PENSIONS AND RETIREMENT STILL REMAIN A TABOO
When it comes to marriage and money, it's good to talk

CONTENTS

11
THE POWER OF A PLAN
How to create a personal financial plan in 8 steps

12
PLANNING FOR EARLY RETIREMENT
What are the financial consequences to stopping work in your 50s?

14
GENERATION VEXED
A third of Gen Xers not confident they can fund their retirement

15
INVESTING WITH IMPACT
How ESG creates long-term value

16
POST-LOCKDOWN BOOST TO FINANCIAL WELLBEING FADES
Continuing impact on people's physical health and financial wellbeing

17
SIGNIFICANT IMPACT ON RETIREMENT PROSPECTS AND PLANNING
£5.3 billion lost from over-50s' retirement pots throughout the course of the pandemic

18
NEW VISION FOR OLDER WORKERS NEEDED: RETAIN, RETRAIN, RECRUIT
Age discrimination impacts job prospects of three million over-50s

20
IS FREEDOM TODAY HURTING FREEDOM TOMORROW?
Tax-free cash allowances putting some retirements at risk

22
WHAT DO YOUR RETIREMENT PLANS LOOK LIKE?
Pandemic sparks a surge in over-50s seeking professional financial advice

23
PLANNING FOR THE ROAD AHEAD
Gen Z's caring nature supporting both themselves and loved ones

24
MINIMUM PENSION AGE ON THE UP!
Increase intended to align with the raising of the State Pension age

PANDEMIC TRIGGERS **SHIFT TO SAVING**

People thinking more about their spending and financial priorities

The coronavirus (COVID-19) pandemic has lead to more people re-thinking how they spend and manage their money, with more than half (51%) now prioritising saving for an unexpected event or loss of income, research published suggests[1].

A third (32%) are setting aside money. This reflects Bank of England[2] estimates that more than £200 billion of savings have been built up during lockdown, but only 10% of these are expected to be spent over the next three years.

SPENDING AND FINANCIAL PRIORITIES

The findings show that while just under half (46%) of households are spending less generally on a day-to-day basis, the pandemic is clearly making people think more about their spending and financial priorities.

Nearly two-thirds (65%) said they are now very mindful about their money, with 38% giving more consideration to financial planning, and savings and investments. When asked what they would do with an unexpected £2k windfall, 40% said they'd save it compared to just over a quarter (26%) who said they'd spend it right away.

BATTENING DOWN THE HATCHES

Unsurprisingly, people's savings are being offset in part by increases in grocery and household bills (for 37% and 36% respectively). And with more time at home for many, it seems we're battening down the hatches and spending more on premium food and take-aways, while 39% are looking to invest in home improvements and DIY as we look to enhance our space.

IMPORTANCE OF OUR LIVELIHOODS

The good news for the advice sector is that nearly one in five (19%) are thinking more about seeking professional financial advice, a quarter of people are giving more thought to Wills and inheritance planning, and nearly one in five are thinking about protection products such as critical illness cover.

The past 19 months really have brought into sharp focus the importance of our livelihoods and finances, with many concerned about their health and financial security. But despite these tough times, it's reassuring to see people taking stock and thinking positively about how they can bolster their situations, with one in five people considering professional financial advice.

HOW CAN YOU CREATE A SECURE FINANCIAL FUTURE?

Looking for help to chart your path through life, ensuring you are financially ready for every stage from getting your own place to funding your children's education to anticipating a comfortable retirement? Speak to us today and make sure your plans are on track for the future you want.

Source data:

[1] 204 respondents to Zurich's research panel made up of 88% target customers/12% customers May 2021.

[2] https://www.bankofengland.co.uk/bank-overground/2021/how-have-households-spending-expectations-changed-since-last-year

/// Many pensioners will be deeply disappointed that the triple lock has been scrapped for next year, as the State Pension is still the bedrock of many pensioners' retirement income.

CHANGE TO THE **STATE PENSION TRIPLE LOCK**

Pensioners 'deeply disappointed', particularly women and self-employed

The earnings benchmark of the State Pension triple lock will be temporarily set aside for next year. The Department for Work and Pensions (DWP) confirmed on 7 September that the State Pension triple lock rule will not be applied for the 2022/23 financial year over concerns of the potential costs involved.

It comes after the Office for Budget Responsibility (OBR) said in July that pensioners could see their payments rise by as much as 8% due to the guarantee. The triple lock guarantees that pensions grow in line with whichever is highest out of earnings, inflation or 2.5%.

AVERAGE EARNINGS COMPONENT DISREGARDED

Work and Pensions Secretary, Therese Coffey, said the average earnings component would be disregarded in the 2022/23 financial year. 'I will introduce a Social Security Uprating and Benefits Bill for 2022/23 only,' she told the Commons.

'It will ensure the basic and new State Pensions increase by 2.5% or in line with inflation, which is expected to be the higher figure this year, and as happened last year, it will again set aside the earnings element for 2022/23 before being restored for the remainder of this Parliament.'

SKEWED AND DISTORTED STATISTICAL ANOMALY

Ms Coffey said the figures had been 'skewed and distorted' by the average earnings rise, which she described as a 'statistical anomaly'.

She said the change meant that pensions would still rise, but less quickly. The triple lock would return the following year, she added.

BEDROCK OF MANY PENSIONERS' RETIREMENT INCOME

Many pensioners will be deeply disappointed that the triple lock has been scrapped for next year, as the State Pension is still the bedrock of many pensioners' retirement income. Women and those who are self-employed are among those who will be particularly affected by the temporary scrapping of the triple lock, as they are more likely to rely on the State Pension in retirement.

However, it is encouraging that the government hasn't abandoned its longer-term commitment. The 2.5% minimum rate has been used on a number of occasions, and is having the effect of slowly increasing what people receive in real terms. The long-term trajectory of the State Pension will also be more important to younger people, more than a one-off hike in line with earnings this year.

ENJOYING MORE FREEDOM AND FLEXIBILITY IN YOUR LATER YEARS

Planning for retirement can be overwhelming. One of the biggest risks you can face is running out of money in retirement. This can happen when you don't adequately plan for retirement. The earlier in life you recognise this need, the more you can increase your chances of enjoying more freedom and flexibility in your later years. If you have any concerns about your retirement plans, please contact us.

HOW CAN I PROTECT **MY MONEY FROM INFLATION?**

Five questions to ask before inflation really takes off

'How can I protect my money from inflation?' is a question that many people may be asking themselves right now. In the current economic climate, rising inflation is becoming a concern for people with savings and investments.

The effect means you're potentially earning less money due to your hard-earned cash becoming worth less as time goes by. The negative impact of inflation upon the real value of an investor's portfolio will be a concern, particularly for the older generation with not enough investments, who may live mostly or entirely off their savings and pensions. It can be even worse if they have a decrease in income at the same time as a loss of value on their assets.

If you're middle-aged or young, it's also important to consider how much inflation will affect you and your investments. Many savers may currently be receiving very low returns on their cash deposits, but with many households sitting on more cash than ever following COVID-19, protecting cash from inflation is becoming vital.

FIVE QUESTIONS TO ASK TO PROTECT YOUR CASH FROM INFLATION

1) IS THE AMOUNT YOU HAVE IN CASH APPROPRIATE FOR YOUR CIRCUMSTANCES?

The first thing we would say here is that the amount of cash you have should be appropriate for your personal circumstances. What we mean by this is that the amount of cash someone else has may not be appropriate for you, because we all have different needs and wants.

The amount of cash savings that a person has should always match their circumstances and income level. Since we don't know what life will bring next, we need to be able to take care of ourselves and our families – even the unexpected – without having to resort to or depend on credit cards or loans from others. It's important to build an emergency fund.

This should contain at least three months' worth of expenses – those are the bare minimum. It could be more, but not less than three months' worth. But since this will be at the mercy of inflation, some savers may opt to hold the bare minimum amount in cash to avoid incurring losses on the value of their money.

2) SHOULD YOU CONSIDER INVESTING SOME OF YOUR CASH?

As a general rule, the answer to this question will depend on your cash flow needs and investment preferences. But you should consider investing some of your money, even though this may seem counterintuitive.

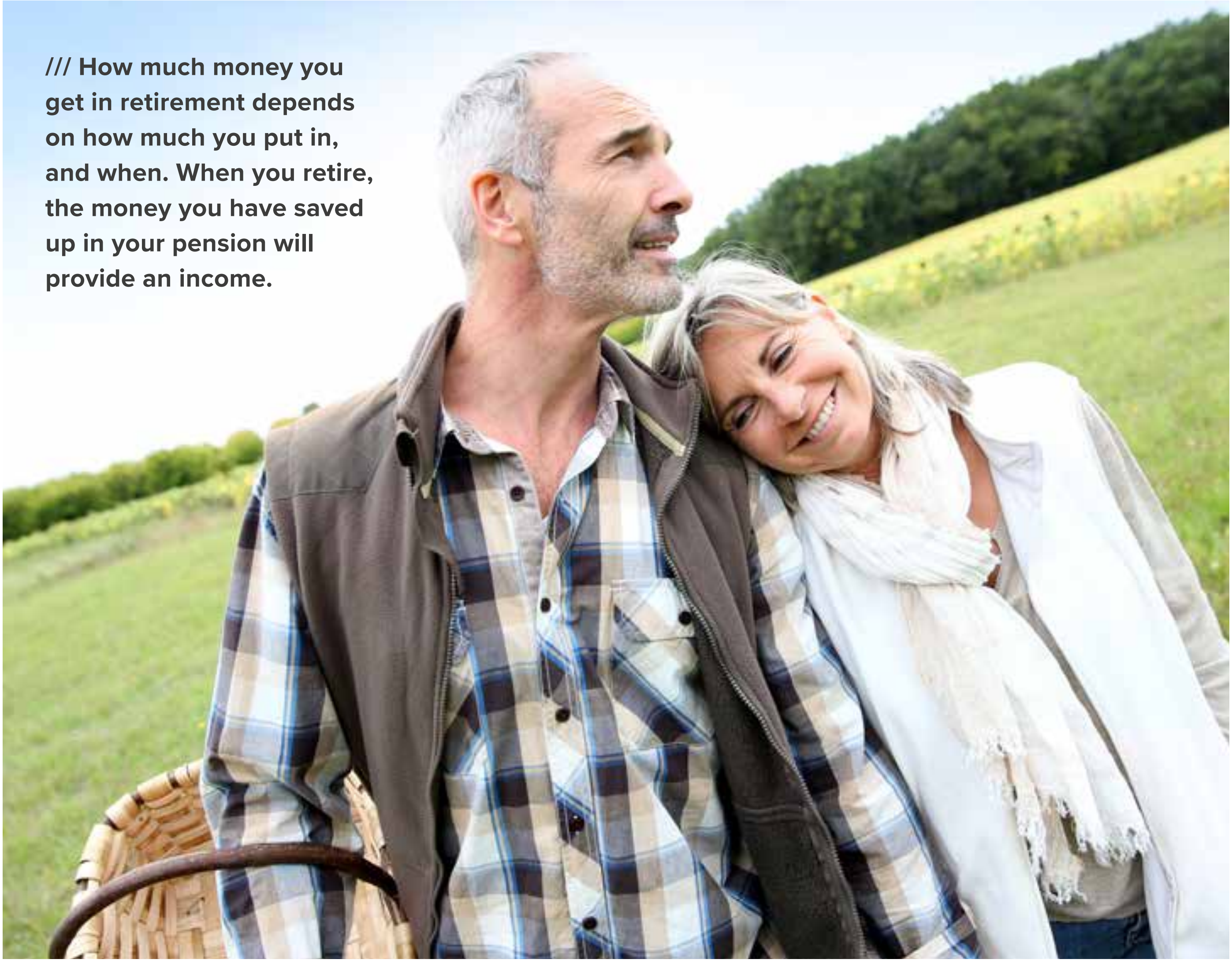
Ultimately building a diversified investment portfolio rather than putting all your eggs into one basket, so having some cash savings and some investments for growth, is likely to suit most people's risk profiles.

While past performance is no guarantee of future performance, investing some of your cash savings may be worth considering. If you're saving for a long-term goal, like retirement, then it's really important to factor in inflation. If you don't it could erode the value of your money and jeopardise your plans for the future.

3) HAVE YOU MAXIMISED YOUR PENSION SAVINGS IN RECENT YEARS?

How much money you get in retirement depends on how much you put in, and when. When you retire, the money you have saved up in your pension will provide an income. The bigger that pot is, the more you'll get each year to help pay for your living expenses. On average, people retiring today may need to replace about half of their pre-retirement income with savings and investments (income from pensions or other savings).

Obtaining professional financial advice is important to make sure you're putting enough away so your retirement savings last longer. To give yourself the best chance of a comfortable retirement, you need to make sure as much as



/// How much money you get in retirement depends on how much you put in, and when. When you retire, the money you have saved up in your pension will provide an income.

possible goes into your workplace or personal pensions as early as possible.

It is important to maximise pension contributions to receive tax relief as this helps you save more money for your retirement goals. Pensions are still a very tax-efficient investment for the majority of people, with tax relief on contributions, as well as tax-free growth within the fund.

4) HAVE YOU MADE USE OF YOUR ISA ALLOWANCE THIS YEAR, AND THOSE OF YOUR FAMILY (ASSUMING YOU'RE FEELING GENEROUS)?

Do you have an ISA allowance? Have you made use of this year's allowance and do you plan to make any changes in the future to your ISA savings strategy? Have you made use of your family's ISA allowance this year?

Everyone aged 18 and over can invest £20,000 per annum into a Stocks & Shares ISA; those under 18 can invest £9,000 each year. Those aged 16 or over can invest £20,000 per annum into a Cash ISA. ISAs grow tax-efficiently, whether invested in cash or other asset classes like stocks and shares, and the long-term effects of this tax-efficient growth can be significant.

5) ARE YOU MAKING THE MOST OF YOUR INCOME ALLOWANCES?

You work hard to make a living, and you should take advantage of how much money you have been able to earn. Personal income allowances give you the ability to control how much or how little tax you pay on money that has been earned over the year.

Often, we find people squander the opportunity to use a spouse's or partner's lower Income Tax rate, or even their Personal Savings Allowance (currently £1,000 for 2021/22), by holding investments or cash balances in the higher earner's name. This could mean, for example, paying tax on interest at 45% when the spouse would pay just 20%, or even no tax at all. There is no limit on the amount of money that can be transferred (the transfer must be of genuine beneficial ownership to apply) between spouses, so you might want to consider whether transferring holdings to or from your partner would benefit your family.

Few savers will be untouched by inflation in the near future. But by asking yourself the questions above, you can mitigate the effect of inflation by making sure your money is working as hard as possible to earn inflation-beating returns.

TIME TO DISCUSS HOW TO PROTECT THE VALUE OF YOUR WEALTH?

If you want to get more out of your personal savings and investments, we can help you manage, organise and preserve the wealth of your portfolio. To discuss how to mitigate the impact of inflation on your financial plans, please contact us – we look forward to hearing from you.

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 AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

UK PENSIONERS **UNDERPAID**

More than £1 billion in State Pensions impacted due to 'repeated human errors'

The Department for Work and Pensions (DWP) underpaid 134,000 pensioners in State Pension to the tune of £1 billion, according to the National Audit Office (NAO)[1].

Complex State Pension rules, outdated and unautomated IT systems, and a high degree of manual review and understanding required by case workers led to the errors uncovered by the investigation.

STATE PENSION CLAIMS

The NAO said some level of error in the processing of State Pension claims was almost inevitable given 'the complex rules and high degree of manual review necessary' when assessing them.

Errors affected pensioners who first claimed their State Pension before April 2016, do not have a full National Insurance record, and who should have received certain increases in their basic State Pension.

LEGAL ENTITLEMENTS

The DWP has not assessed the demographics of pensioners likely to be affected, but it has estimated that 90% are likely to be women.

Cases started getting reviewed from January 2021, in a legal entitlements and administrative practices (LEAP) exercise. This exercise was originally expected to take over six years to complete, but following a ministerial decision to recruit additional staff, the DWP revised the completion date to the end of 2023.

The government department said it will contact pensioners if it finds they have been underpaid. The report found that, of the 134,000 cases, around 94,000 are still alive. For the 40,000 who have died, payments could be made to estates, NAO suggested.

UNABLE TO TRACE THE PENSION

Yet, the DWP has identified around 15,000 cases where it might be unable to trace the pension or their heirs.

Also, the true number who were underpaid before they died is likely to be higher, because records for the deceased are generally destroyed within four years. As at August 2021, the DWP had not approved a formal plan to trace the estates of deceased pensioners.

VALUE OF THE UNDERPAYMENTS

DWP estimates it will need to pay the affected pensioners it can trace a total of £1 billion. This represents an average of £8,900 per pensioner affected. The estimates are highly uncertain and the true value of the underpayments will only become clear once the DWP has completed its review of all affected cases.

According to the NAO report, DWP normally has around 40,000 live (uncompleted) new State Pension claims on the go. Yet, this had increased to 80,000 as of July 2021.

HISTORICAL ERRORS

A DWP spokesperson said: 'We are fully committed to ensuring the historical errors that have been made by successive governments are corrected, and as this report acknowledges, we're dedicating significant resources to doing so.

'Anyone impacted will be contacted by us to ensure they receive all that they are owed.

'Since we became aware of this issue, we have introduced new quality control processes and improved training to help ensure this does not happen again.'

TIME TO DISCUSS PLANNING YOUR RETIREMENT INCOME?

Whatever retirement looks like for you, it's important to review your situation and make plans now so that you have the freedom to enjoy the time when it comes, however you choose to fill it. Speak to us today and make sure your plans are on track for the future you want.

Source data:
[1] https://www.nao.org.uk/report/investigation-into-underpayment-of-state-pension/

FESTIVE GIFTS THAT TEACH CHILDREN THE VALUE OF MONEY

Why parents should look to Christmas investment gifts instead of toys

With the festive season approaching, have you thought about gifting your children or grandchildren something different this year? Giving them a good start in life by making investments into their future can make all the difference in today's more complex world.

Lifetime gifting is not only a good way to set up children for adulthood but is also a way of mitigating any Inheritance Tax concerns.

However, what's clear is that not all saving products for children are made equally. With interest rates at historic lows, if you are looking to put money away for a child to enjoy when they grow up investing is by far the best way to maximise your gift.

SIGNIFICANTLY HIGHER RETURNS

Some people remain worried about the volatility of investing but, with an 18-year horizon, putting money to work in the market can give significantly higher returns than products such as Premium Bonds.

One option to consider is a Junior Individual Savings Account (JISA). These were introduced in the UK on 1 April 1999 as a long-term replacement for Child Trust Funds (CTFs). If a child was born between 2002 and 2011, they might already have a Child Trust Fund, but these can be transferred into a JISA.

SAVE AND INVEST ON BEHALF OF A CHILD

If the CTF is not transferred, when a child reaches 18 they'll still be able to access the money. Or they can choose to transfer it into a normal Cash ISA. A JISA is a long-term savings account set up by a parent or guardian and lets you save and invest on behalf of a child under 18 without paying tax on income or gains.

With a Junior Stocks & Shares ISA account, you can put your child's savings into investments like funds, shares and bonds. Any profits you earn by trading investment funds, shares or bonds are free from tax. Investments are riskier than cash but could give your child a bigger profit, and the value of a Junior Stocks & Shares ISA can go down as well as up.

Money in the account belongs to the child, but they can't withdraw it until they turn 18, apart from in exceptional circumstances. They can start managing their account on their own from age 16.

FINANCIAL EDUCATION FROM A YOUNG AGE

The Junior ISA limit is £9,000 for the tax year 2021/22. If more than this is put into a Junior ISA, the excess is held in a savings account in trust for the child – it cannot be returned to the donor. Friends and family can also save on behalf of the child as long as the total stays under the annual limit.

When your child turns 18, their account is automatically rolled over into an adult ISA . They can also choose to take the money out and spend it how they like. It is therefore important to ensure that children are given financial education from a young age so that when they can get their hands on the funds they use them wisely.

BEEN PUTTING OFF PLANNING FOR YOUR CHILD'S FUTURE?

Many parents, guardians and grandparents want to help younger members of the family financially – whether to help fund an education, a wedding or a deposit for a first home. If you are asking yourself 'How can I start saving for my child's future?', using a Junior Individual Savings Account could be a good place to start. You don't need a big lump sum to get started. In fact, contributing regular smaller amounts is a good way to start. To find out more, please speak to us – we look forward to hearing from you.

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 AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

PENSIONS AND RETIREMENT STILL REMAIN A TABOO

When it comes to marriage and money, it's good to talk

Millions of married couples have no idea about their spouse's pensions and retirement plans, according to new research[1]. More than three-quarters (78%) of non-retired married[2] people do not know what their spouse's pensions are worth.

Nearly half (47%) of non-retired married people have not spoken to their spouse about their retirement plans and 85% of non-retired married people are not aware of the tax-efficiencies of planning retirement together.

RETIREMENT FINANCES

Wealthy people aren't doing much better. Mass affluent people (those with assets of between £100,000 and £500,000 excluding property) are more likely than average to be aware of the value of their spouse's pension, but the majority (60%) aren't going to plan their retirement finances with their spouse and 78% aren't aware of the benefits of planning retirement together

The research indicates that millions of married people are not talking to their partners about their pensions and retirement plans. That's a mistake because couples who jointly plan their retirement can be much better off when they stop working.

LIFETIME OF SAVING

Most people have a good idea of what their house is worth, and the same attitude should apply to their retirement funds. After a lifetime of saving, the value of a retirement fund can be worth as much as a property so it's important that people know how much their retirement savings are worth and the potential death benefits they offer.

The best way for people to ensure they have the retirement they want, their pension income lasts throughout their retirement and that they avoid unnecessary tax bills is to obtain professional financial advice. This is especially true for people who plan to retire within the next five years.

PENSION TIPS FOR COUPLES

Pay into your partner's pension: A higher-earning partner approaching the Lifetime Allowance or Annual Allowance could pay additional contributions into their partner's pension. The contributions will attract tax relief.

Don't forget the death benefits and Inheritance Tax benefits of pensions: Pensions won't normally form part of the estate for Inheritance Tax purposes and, on death before age 75, they can usually be paid out tax free (on death after 75, they are taxed as the beneficiary's income). It can make sense to discuss when and how to access a pension and if it would be better to spend any other savings first.

Avoid unnecessary large withdrawals from a pension fund: Couples should consider how much money they need to withdraw from their pension funds. Drawing too much too quickly can lead to large tax bills.

Make sure your partner knows who to contact about your pensions if you die: You may have carefully arranged all your finances so that they can be passed to your loved ones in the most tax-efficient way possible. However, if your partner hasn't been part of the conversation they may make uninformed decisions. It's worth remembering that any adviser/client relationship you have ends on death. Data protection rules mean your financial adviser won't necessarily know what is happening. This can lead to irreversible and costly mistakes being made.

On retirement, many people's first instinct is to request their full tax-free cash entitlement. However, unless a large lump sum is needed for a specific purpose, this is not always the wisest course of action.

If flexibly accessing a pension, it can often make sense for couples to retain most of the tax-free cash entitlement until a later date, looking to utilise the personal allowance (and potentially the basic rate tax band) to draw tax-efficient income instead.

SUCCESSFULLY MANAGING FINANCES IN MARRIAGE

When you and your spouse married, you agreed to share a financial future. It's an important issue for most married couples. Although successfully managing finances in marriage is essential to your happiness together, talking about money may not come naturally. To discuss how we could help you plan your finances, please contact us for more information.

Source data:

[1] LV= surveyed 4,000+ nationally representative UK adults via an online omnibus conducted by Opinium in June 2021.

[2] Includes couples in civil partnerships. UK population stats from ONS. Total UK adult population is 52.7m UK adults (aged 18+).

THE POWER OF A PLAN

How to create a personal financial plan in 8 steps

When thinking about your future financial wellbeing, it can be helpful to consider a plan. It is a good idea to have a clear sense of what you want from life and use this as a guide for making important decisions.

A comprehensive financial plan helps you achieve your goals by analysing your current situation, planning for the future and providing continuous monitoring of progress towards those goals. A well-thought-out plan can help you protect yourself from unexpected events that could affect your ability to meet long-term financial commitments.

What do you want to do in life? Who are the people who matter most to you? What do you worry about at night?

STEP 1: SET YOUR GOALS

Without them, it's hard to know what direction you're headed and even harder to remember where you came from. Critical goals come before needs and wants.

When life changes – and it always does – your goals help guide your financial decisions and focus on what's important.

STEP 2: MAKE A BUDGET

So you've decided to start keeping track of your income and expenditure, but how do you know where to begin? Creating a budget can seem like a daunting task, especially if you are not familiar with the process.

Not only is it important to know how much money is coming in and going out of your household each month, it's also vital that you understand where that money is being spent. With a budget, you can align what you make with what you spend. With goals set, you can now organise your money.

STEP 3: BUILD YOUR EMERGENCY SAVINGS

The best way to ensure you have money available in an emergency is to build your own savings, typically three to six months' worth of living expenses. Emergency funds should be set aside in case of an unexpected financial disaster. Taking the time to save for emergencies is a must, even if you already have a budget in place.

In fact, when creating your budget, it's important to remember that there will be some things that don't fit into your monthly spending plan, and emergency savings make a great way to cover these unexpected costs.

STEP 4: PROTECT YOUR INCOME

Falling ill or having an accident doesn't have to become a financial burden on you or your family. What if you or your partner got too sick or hurt to work? Or passed away unexpectedly? Could those who depend on you still pay the bills – and save for the future? Planning your financial future isn't only about savings and investments.

Of equal importance is putting protection in place for you and your family for when you die or if you become ill. Most people have heard of life insurance, but may not know about the different types or about the options for people affected by ill health. No one likes to think of these things. But life can change in an instant. It's good to hope for the best, but be ready for the unexpected. Insurance helps you do that.

STEP 5: PAY DOWN DEBT

The importance of paying down personal debt cannot be understated. But it can be difficult to prioritise paying down debt while still paying for essential day-to-day living expenses. However, ignoring the significance of personal debt could lead you to major financial trouble in the long run.

Paying off your debts will not only free up cash flow to allow you to save, it will also go towards improving your credit score. The lower your debt-to-income ratio is, the better your credit rating. Your credit rating affects the interest rates that lenders charge you for mortgages, car loans and other types of financing.

STEP 6: SAVE AND PLAN FOR RETIREMENT

Everyone needs to save and plan for retirement. No matter how much you make or whether you have a job, you should always start saving as early as possible. It is important for you to take control of your retirement planning and make decisions regarding your pension. It is often not appreciated that contributing to a pension arrangement can help you build up an extremely valuable asset.

People are living longer and leading more active lives in retirement. As a result, it is more important than ever for you to think about where your income will come from when you retire. Pension saving is one of the few areas where you can still get tax relief.

STEP 7: INVEST SOME OF YOUR SAVINGS

Saving and investing are important parts of a sound financial plan. Whereas saving provides a safety net for unexpected expenses, investing is a strategy for building wealth. Once you have an emergency savings fund of three to six months' worth of living expenses, you can develop a strategy to grow your wealth through investing.

Investing gives your money the potential to grow faster than it could in a savings account. If you have a long time until you need to meet your goal, your returns will compound. Basically, this means in addition to a higher rate of return on investments, your investment earnings will also earn money over time.

STEP 8: MAKE YOUR FINAL PLANS

The importance of estate planning is necessary for all individuals, not just the wealthy. Without proper estate planning in place to protect your assets, you could end up leaving large amounts of money to be fought over by your loved ones and a large Inheritance Tax bill.

Your estate planning should sit alongside making your Will, both key parts of putting your affairs in order later in life. Working out the best ways to leave money in a Will before you pass away can help to make the lives of your loved ones easier when you're no longer around.

I AM READY TO START A CONVERSATION

i

Financial planning may be complex, but it doesn't have to be difficult. We're committed to ensuring you feel comfortable, informed and supported at each stage of your financial planning journey. To find out more, or to discuss how we could help you and your family, please contact us.

PLANNING FOR EARLY RETIREMENT

What are the financial consequences to stopping work in your 50s?

Early retirement may be the ultimate dream for some, but the coronavirus (COVID-19) pandemic made it the only option for many. Figures from the Office for National Statistics show that over-50s had the highest redundancy rate between December 2020 and February 2021[1].

Retiring early can give you that change of lifestyle you've been craving, open doors to new experiences and potentially improve your health. But there are financial consequences to stopping work in your 50s.

WHAT IS THE FINANCIAL IMPACT OF EARLY RETIREMENT?

Traditionally, people retired between the ages of 60 and 65, but there's no set age that you need to give up work. In fact, anyone with a pension pot can access it from age 55 – although this is set to rise to age 57 from 2028.

Retiring early requires some careful planning. It can put significant pressure on your funds as your new income is likely to be less than your pre-retirement earnings. You might have various sources of income for your retirement ranging from your personal and/or workplace pension, the State Pension, investments and other savings. Reviewing your financial situation and determining how much money you need to live a comfortable life in retirement is an important first step.

Something to bear in mind: if you're aged over 55, your State Pension won't be paid until you reach age 67. If you stop working before then, you could be relying on income from your private pension savings for more than a decade.

It's also worth bearing in mind the impact of inflation. Prices have steadily increased over the past decade, for example, holidays, luxury goods and even basic necessities have become more expensive. So if you're looking at a retirement of 25 years or more, you could see the purchasing power of your pension income decrease due to rising prices.

HOW TO ASSESS YOUR FINANCIAL SITUATION

Understanding your individual financial situation can make a big difference when it comes to making decisions around your retirement savings. Fully assessing your personal finances can help give you a clearer picture of whether early retirement is feasible.

HERE'S A CHECKLIST OF WHAT YOU SHOULD CONSIDER:

1. HOW DO YOU PLAN FOR A VARIED RETIREMENT?

If you're planning to retire early, think about what type of lifestyle you want to enjoy in later life. This will then help you determine what you're

/// In order to understand your income requirements in later life, you'll need to know when you can collect your State Pension and how much it's likely to be.

saving towards. You might plan to travel, embark on a journey of further education or simply spend more time with loved ones – whatever you decide to do, you're going to have demands on your retirement income.

When you're reviewing your financial plans, it could be worth looking at those first early years of retirement as something separate. For example, including more in the budget for multiple holidays a year, or dinners out and trips to the theatre. Then take a look at how your lifestyle may modify as you slow down in later life. There may be fewer trips and holidays to take, but there could be increased care costs.

Taking early retirement means that you almost have to plan for two different retirements. One that caters to the immediate future, where you're likely to still be very active. And one where a slower pace of life comes into play. Each will have a different focus and therefore different demands on your money.

2. HOW MANY YEARS DO YOU EXPECT TO BE RETIRED?

There are obviously no guarantees on how long any of us will live, but when it comes to retirement planning, you'll need to make an informed guess.

It's worth considering family history, as well as factors such as your gender and geographical region. If you expect to live to around 85, but plan to retire at 55, you'll need to save enough to support yourself for 30 years – but don't forget, you may live a lot longer than you expect, and you're likely to want leave something for your loved ones.

3. HOW MUCH WILL YOUR STATE PENSION BE?

In order to understand your income requirements in later life, you'll need to know when you can collect your State Pension and how much it's likely to be.

The State Pension age is under review and is gradually being pushed back so it's in line with life expectancy. Other factors, such as your gender and the year you were born, make State Pension ages vary.

Currently, the maximum State Pension is £179.60 per week, or £9,350 a year[2]. However, you'll need to have made, or be credited with, 35 years of National Insurance contributions to qualify for the full amount[3].

4. HOW MUCH DO YOU HAVE IN YOUR PRIVATE PENSION POT?

As the State Pension is not really enough to live on, the likelihood is that workplace or private pensions will make up a significant part of your retirement income.

When you retire, you can use some or all of your pension savings to buy an annuity, which then pays you a regular retirement income for either a set period, or for life. Alternatively, you can keep your savings in your pension pot and 'drawdown' only what you need, as and when you need it. You must have a defined contribution pension to be able to do this (your workplace pension provider will be able to inform you on whether you do).

The first step, before making a decision, would be to track down all of your pension pots and ask for a pension forecast. Estimate how much you can achieve via a drawdown, an annuity, or a combination of both. And remember, the value of any investments can fall as well as rise and isn't guaranteed.

5. HOW CAN YOU ENSURE YOUR PENSION POT WILL LAST?

Having an understanding of your retirement income and outgoings can help you to plan for the future. Perhaps you've reviewed your finances and realised you can retire early, or you might decide to wait a few more years to help you boost your pension pot that bit more.

The key thing to understand is that your retirement is completely personal, and the amount you will need will depend on your specific circumstances and expectations. If you're in any doubt about the financial impact of early retirement, you should obtain professional financial advice.

WHAT DOORS AND POSSIBILITIES WILL YOUR RETIREMENT OPEN FOR YOU?

Life is short and unpredictable. If you would like to retire early and explore a life away from work, you'll need to put a carefully considered plan in place. Retirement can open many doors and possibilities. You may be thinking about seeing the world or starting your own business. To discuss how we could help you, please contact us for further information.

Source data:

[1] Living longer: older workers during the coronavirus (COVID-19) pandemic. Data source, Office for National Statistics, May 2021.

[2] Having more for retirement. Data source, GOV.UK, August 2021.

[3] The new State Pension. Data source, GOV.UK, August 2021.

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.

GENERATION VEXED

A third of Gen Xers not confident they can fund their retirement

One in three (31%) Generation X members (those born between 1965 and 1980) do not feel confident they will be able to work for as long as they need to fund their retirement needs, due to concerns around health and age.

With 57% of Gen Xers wanting to save more for retirement but struggling to do so, a quarter (25%) plan to work part-time past the State Pension Age (SPA) to plug an expected income shortfall in retirement, while 17% plan to work full-time. However, they have serious concerns about whether they will be able to continue working later in life.

The findings, which are contained in a report from the International Longevity Centre (ILC)[1] show why many people in Generation X continue to be 'Generation Vexed'.

As many as 37% of all Gen Xers plan to work later in life to boost their retirement income, while for 25% this is their only plan.

However, they have several concerns they fear will constrain their ability to do this:

- 59% are worried poor physical health will restrict their ability to work
- 31% are concerned poor mental health will impact them
- 31% fear age discrimination will restrict their ability to retain or find another job
- Other concerns include not having the right skills to adapt to the changing job market (19%) and a fear that the economic impact of the pandemic will make it harder to remain in work (17%)

These concerns are perhaps understandable, especially as 36% of all Gen Xers, and one in three (33%) of those whose only plan for retirement is to work longer, also have a health problem or a disability.

Meanwhile, almost two-thirds (62%) of those who plan to work past the SPA to address an income shortfall in retirement are confident they'll be able to do so – but they may find this is not always possible as a quarter (25%) of this group currently have a health problem or disability, and some 7% expect to provide care to an adult in the next five years.

READY TO GET YOUR RETIREMENT PLANS IN MOTION?

There are many things to consider when planning for retirement. By understanding precisely what you'll need to get to where you want to be, you can ensure you're prepared for the future. We can help you by creating a clear plan and then delivering on it. To find out more, please contact us.

Source data:

[1] All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 6,035 adults aged 40-55. Fieldwork was undertaken 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. Calculations based on survey stats calculated by ILC. All references and methods are available in the full report, which can be downloaded here: https://ilcuk.org.uk/slipping-between-the-cracks/

/// With 57% of Gen Xers wanting to save more for retirement but struggling to do so, a quarter (25%) plan to work part-time past the State Pension Age (SPA) to plug an expected income shortfall in retirement, while 17% plan to work full-time.

INVESTING WITH **IMPACT**

How ESG creates long-term value

It's no secret that the growth of Environmental, Social and Governance (ESG) investments in recent years has been fundamental.

This has largely been fuelled by the climate emergency, leading to growing scrutiny of company practices with some governments mandating a change in companies' and individuals' behaviour.

The idea behind ESG investing is that corporations which respect these three pillars in their business practices will achieve long-term value creation.

From tackling climate change, to equal rights and animal welfare – you can select investments based on your values in a way that could help you achieve your long-term financial goals.

APPETITE FOR SUSTAINABLE INVESTMENTS

COVID-19 has undoubtedly heavily influenced some investors' agendas, driving a re-evaluation of the environment and 'what matters most'. Data from 'The Power of Advice' report[1] shows how for one in two investors (51%), the pandemic has fuelled their appetite for sustainable investments.

45% went further still, saying that they now only want to invest in ethical companies and funds. In fact, only 11% of the sample (across all generations) said they didn't intend to invest in ESG investments over the next five years.

YOUNGER PEOPLE HAVE A 'KEY ROLE TO PLAY'

Furthermore, 39% of clients said they expected to increase the amount they invested in socially responsible investments, 31% maintaining their current level and just 5% decreasing their spend.

Younger people have a 'key role to play' in the move towards sustainable investing, according to the report. It revealed younger family members (42%), societal pressures (47%) and media commentary (53%) were the top influences for people considering sustainable investing.

EVERY LEVEL OF BUSINESS DECISION-MAKING

Once upon a time, the concept of 'sustainability' was confined to environmental and social issues, but it is now factored in at every level of business decision-making. The awareness of ESG has increased over recent years and these factors are becoming more important in the investment decision-making process of investors.

For many, the pandemic has prompted a change in financial priorities, accelerating the demand for responsible investing.

LOOKING TO INVEST FOR A BETTER FUTURE?

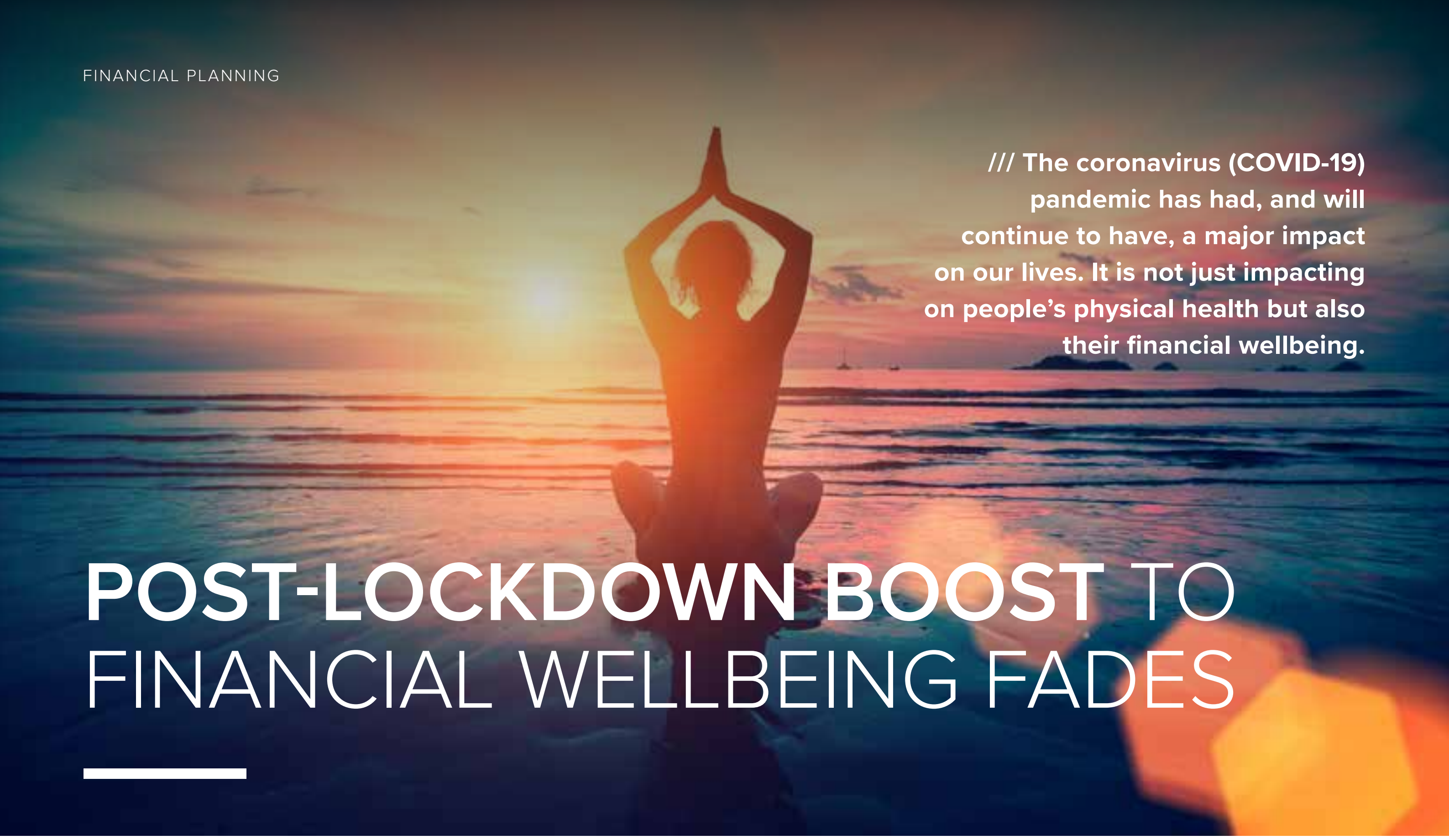
We all want to make responsible choices as more of us are becoming aware of global challenges, such as environmental issues, human rights and climate change. In recent years, ESG and ethical investing have moved from niche strategies to a mainstream part of investing. To discuss how we can help you, please contact us.

Source data:

[1] The Power of Advice Report – Pru part of M&G Plc – https://www.mandg.com/sustainable (2021)

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 AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.



/// The coronavirus (COVID-19) pandemic has had, and will continue to have, a major impact on our lives. It is not just impacting on people's physical health but also their financial wellbeing.

POST-LOCKDOWN BOOST TO FINANCIAL WELLBEING FADES

Continuing impact on people's physical health and financial wellbeing

The coronavirus (COVID-19) pandemic has had, and will continue to have, a major impact on our lives. It is not just impacting on people's physical health but also their financial wellbeing. The economic consequences of the COVID-19 outbreak for some people will make it harder for them to achieve their financial goals.

This is why financial planning is key to align your needs, your values and your personal goals with every aspect of your finances, to give you a complete picture of where you are now and where you can get to in the future.

PLANNING FOR AND PROTECTING THE FUTURE

Findings from a new survey show the pandemic has led to changes in long-term financial planning when it comes to people supporting their families, with around one in ten (9%) having increased the scope of their long-term financial planning to include more generations as a result of the pandemic[1].

Almost three quarters (73%) of UK households surveyed considered preparing for the future financial wellbeing of loved ones in other generations to be important, with more young people aged 18-24 of this view than any other age group (82%). Nearly one in four households surveyed (24%) would not consider other generations (such as children or parents) in their financial planning at all.

Of those households which have increased the scope of their long-term financial plans, more than one in four (27%) were not previously including other generations of their family in planning before the onset of the pandemic. This suggests a considerable change in behaviour, with those aged 35-44 recording the largest shift in favour of planning financially for future generations.

WORKPLACE ACTIVITY, INCOME AND JOB SECURITY

Positive news during the third quarter came from the labour market as UK households experienced improved trends with regard to both job security and income from employment. For the first time since Q1 2020, households' income from employment rose over the quarter. At the same time, business activity continues to rise steeply, according to UK households. The rate of growth remained close to the survey record high recorded in Q2.

This combination of rising activity and greater incomes led some households to take an optimistic view with regard to job security – with the lowest level of pessimism recorded since the second quarter of 2019. Those in the youngest age group (18-34) recorded by far the strongest trend for job security in the third quarter of 2021.

HOUSEHOLD FINANCES

Q3 data also pointed to a further fall in the amount of cash UK households have available to spend. The rate of decrease quickened slightly on the quarter and was sharp, highlighting that rising living costs have partly offset increased employment income. As a result, household savings declined at the fastest rate since the end of 2020, with only the highest earners recording a rise over the third quarter.

Meanwhile, UK households registered a sustained fall in demand for unsecured credit, such as overdrafts and credit cards, with the decrease the strongest on record. The focus remained instead on paying down debt, which declined solidly again in Q3. ◂

WHAT IS YOUR VISION AFTER YOU'VE LEFT THE 9 TO 5 BEHIND?

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, speak to us today – we look forward to hearing from you.

Source data:

[1] The Scottish Widows UK Household Finance IndexTM (HFITM) is compiled each quarter by IHS Markit, using original monthly survey data collected by Ipsos MORI from a representative sample of 4,500 UK households.

SIGNIFICANT IMPACT ON **RETIREMENT PROSPECTS AND PLANNING**

£5.3 billion lost from over-50s' retirement pots throughout the course of the pandemic

Over-50s workers in the UK could have a £5.3 billion hole in their collective pension pot due to cutbacks on retirement savings over the course of the pandemic, according to new research[1].

The new findings estimate that approximately 10% of pre-retired over-50s – 1.4 million people[2] – are continuing to save less every month when compared to before the pandemic. At present, those over 50 saving less have reduced their monthly savings by £155 a month. However, at the peak of the pandemic this was an average of £219 less a month.

SAVING LESS TOWARDS RETIREMENT

Overall, over-50s saving less towards retirement will have contributed £3,283 less on average over the course of the pandemic than they otherwise would have. Over-50s workers who are continuing to save less are doing so for a variety of reasons, such as pay decreases (39%), redundancies or job losses (22%) and the impact of being furloughed (13%).

One in five over-50s saving less (20%) have also had to reduce their retirement contributions in order to provide more monetary support to their loved ones.

SIGNIFICANT IMPACT ON RETIREMENT

It's completely understandable that those who have faced financial hardship as a result of the pandemic may have looked for opportunities to cut back on their outgoings. However, the research shows that saving less, particularly for those in their 50s, could have a significant impact on retirement prospects and planning.

As we look ahead towards a period of recovery, the best thing people can do is commit to spending a day sorting through their affairs to better understand the options at their disposal, rather than burying their head in the sand.

FINANCING YOUR RETIREMENT

It's never too early to start planning the future you want. Whatever stage of life you're at – nearing retirement, already retired or just starting to think about it – we can help you make the most of your pension options. We're here to talk you through your options. To find out more, please contact us.

Source data:

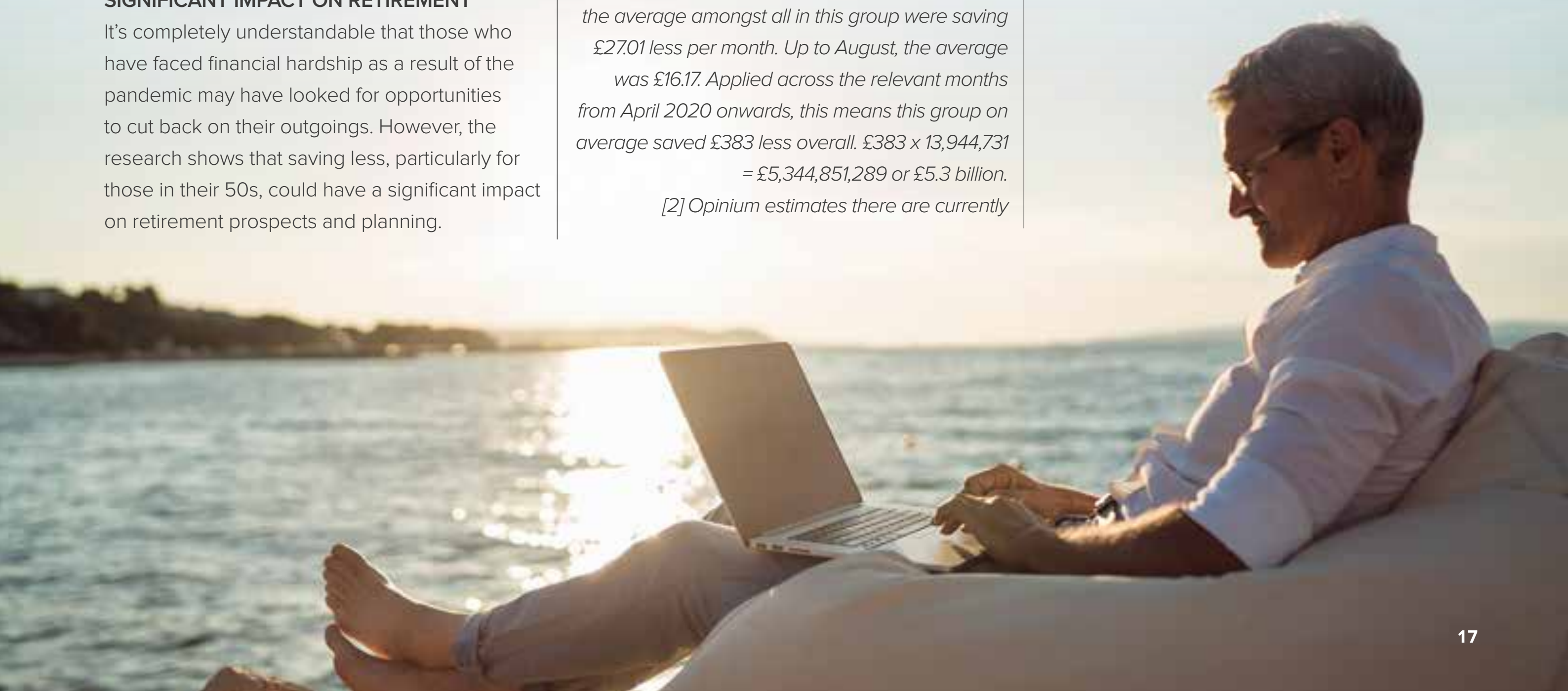
[1] Opinium survey of 2,160 UK over-50s in the UK who have not retired between 9 - 13 August 2021, 224 of which are saving less towards retirement, compared to before the pandemic. Opinium and L&G ran two studies amongst pre-retirees aged 50+, and asked them how much less they were saving, if at all. Up to Jan, the average amongst all in this group were saving £27.01 less per month. Up to August, the average was £16.17. Applied across the relevant months from April 2020 onwards, this means this group on average saved £383 less overall. £383 x 13,944,731 = £5,344,851,289 or £5.3 billion.

*[2] Opinium estimates there are currently 13,944,731 over-50s who are not retired in the UK. 224 out of 2,160 pre-retirees aged 50+ said they are saving less towards their retirement. 224 / 210 * 13,944,731 = 1,446,120 or 1.4 million..*

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.



NEW VISION FOR OLDER WORKERS NEEDED: RETAIN, RETRAIN, RECRUIT

Age discrimination impacts job prospects of three million over-50s

A total of 2.99 million recent job seekers over 50 (52%) believe their age has made employers less likely to hire them, according to a new report[1].

/// The 'Working Late: Over 50s and employment' report found that 46% of job seekers aged 50 – 59, and 64% of job seekers aged 60 – 69 felt their age put them at a significant disadvantage when looking for jobs.

Over half of over-50s (52%) who have searched for work in the past five years believe their age made employers less likely to hire them. Perceptions that they are 'overqualified', too close to 'retirement age' or more expensive have hampered their job search.

SIGNIFICANT DISADVANTAGE

The 'Working Late: Over-50s and employment' report found that 46% of job seekers aged 50-59, and 64% of job seekers aged 60-69 felt their age put them at a significant disadvantage when looking for jobs. These findings come during the ninth annual National Inclusion Week, designed to celebrate everyday inclusion in all its forms.

In addition to finding age to be a barrier in their job search, other common experiences facing over-50s included feeling overqualified for the jobs they identified (37%), believing their skills did not meet the standards required in today's workplace (35%) and encountering unsuitable hours and a lack of flexibility in working hours or location (33%).

POTENTIAL EMPLOYERS

Over-50s seeking employment also found poor health (17%) and caring responsibilities (9%) adversely affected their job search, especially when these were not accommodated for by potential employers.

Finally, over-50s were asked to describe circumstances in which they believe their age made employers less likely to hire them. Most frequently, over-50s noted a lack of invites to interview (22% of those who think their age made employers less likely to hire them) and, for those who were interviewed, receiving rejections (16%).

GENERATIONAL SKILLS GAP

Actual or perceived closeness to retirement was also stated as a reason that employers were less likely to hire them (11%), as well as actual or perceived generational skills gap (8%). Less frequently, respondents noted that some job offers have implicit or explicit age restrictions biased towards younger workers, and that they have found the 'cultural fit' emphasised by businesses to be exclusionary. A final common theme identified in the responses was the perception that businesses can hire younger workers more cheaply.

In terms of driving factors for why over-50s were searching for a job, 29% stated it was wholly financial, whereas 26% stated that their search was driven entirely by other aspects, including life satisfaction as well as social and mental health benefits. The majority of respondents stated their motivations were equally financial and non-financial, an issue that did not differ within age subgroups.

NATIONWIDE AVERAGE

From a national perspective, when asked about the availability of appropriate job opportunities in their area, the highest percentage of recent over-50s job seekers noting insufficient opportunities was the West Midlands, at 44%, compared to the nationwide average of 33%. Scotland (42%) was the second highest area where over-50s felt there were insufficient job opportunities in their area that matched their skills or experience.

On the other side of the scale, only 20% of over-50s job seekers in Wales felt that there were insufficient appropriate job opportunities in their area. The findings for London (29%) and the North West (28%) were also below the national average. ◂

WHAT WILL YOUR RETIREMENT LOOK LIKE?

'Will I be able to retire when I want to?' 'Will I run out of money?' 'How can I guarantee the kind of retirement I want?' Financial advice can help you manage your money before and during retirement. Speak to us for more information or to discuss your requirements. We look forward to hearing from you.

Source data:

[1] 'Working Late: Over-50s and employment' – Over-50s in the labour market: a report for Legal & General Retail Retirement (LGRR) and the Centre for Economics and Business Research (Cebr). 2021. Opinium survey of 2,000 over-50s in the UK, ONS Labour Force Survey and ONS Wealth and Assets Survey.

IS FREEDOM TODAY **HURTING FREEDOM TOMORROW?**

Tax-free cash allowances putting some retirements at risk

A new study has identified that Britain's future pensioners are putting their retirement future at risk by withdrawing cash from their pension pots while still in the accumulation phase[1]. The findings were that some people are confusing their pension pots for savings accounts, which may have a detrimental impact on their retirement.

Rather than its original intention of incentivising saving, tax-free cash allowances appear to have the opposite effect in practice – encouraging members of pension schemes to spend more before they retire and take their tax-free cash savings while they still have other sources of cash savings. This is a potentially very damaging situation for whole generations of future retirees.

The study highlighted that 76% of savers do not intend to use their tax-free cash for retirement income, with nearly a third (28%) accessing their pension pots while still in 'accumulation' phase and female pensions savers being over 10% more likely to sacrifice returns by taking cash at 55.

TAX-FREE CASH

Nearly three-quarters of those who access their tax-free cash believe that the main purpose of their pension is to provide an income for life. However, 76% of respondents do not intend to use their tax-free cash to provide them with an income in retirement.

Over 50% of those who had withdrawn their lump sum said they did not need to take as much at that time and of those who decided to withdraw a lump sum, the most popular choice of what to do with it (27%) was to spend it on home repairs and improvements.

POTENTIAL FOR GROWTH

The tax-free aspect of taking a special lump sum at the age of 55 is a clear driver behind this behaviour. Nearly half (46%) would not have withdrawn their cash if it had not been tax-free. This is also implied by the timing of withdrawals.

Among those polled who have withdrawn from their pension, more than a quarter (26%) did this as soon as possible at the age of 55 exactly, with many unaware of the potential for growth had they kept their money invested for longer.

TAKING THE LUMP SUM

Over half who had withdrawn their lump sum said they did not really need as much right away and that they could have taken less. Meanwhile nearly one-third (29%) said that they could have used other savings instead of taking the lump sum out of their pension.

This highlights that the decision of when to take cash from pension pots – and how much to take – is not often based on financial planning. While minimising tax is often the driver of 'tax-free withdrawals', in many cases it can actually lead to less tax-efficient outcomes for members.

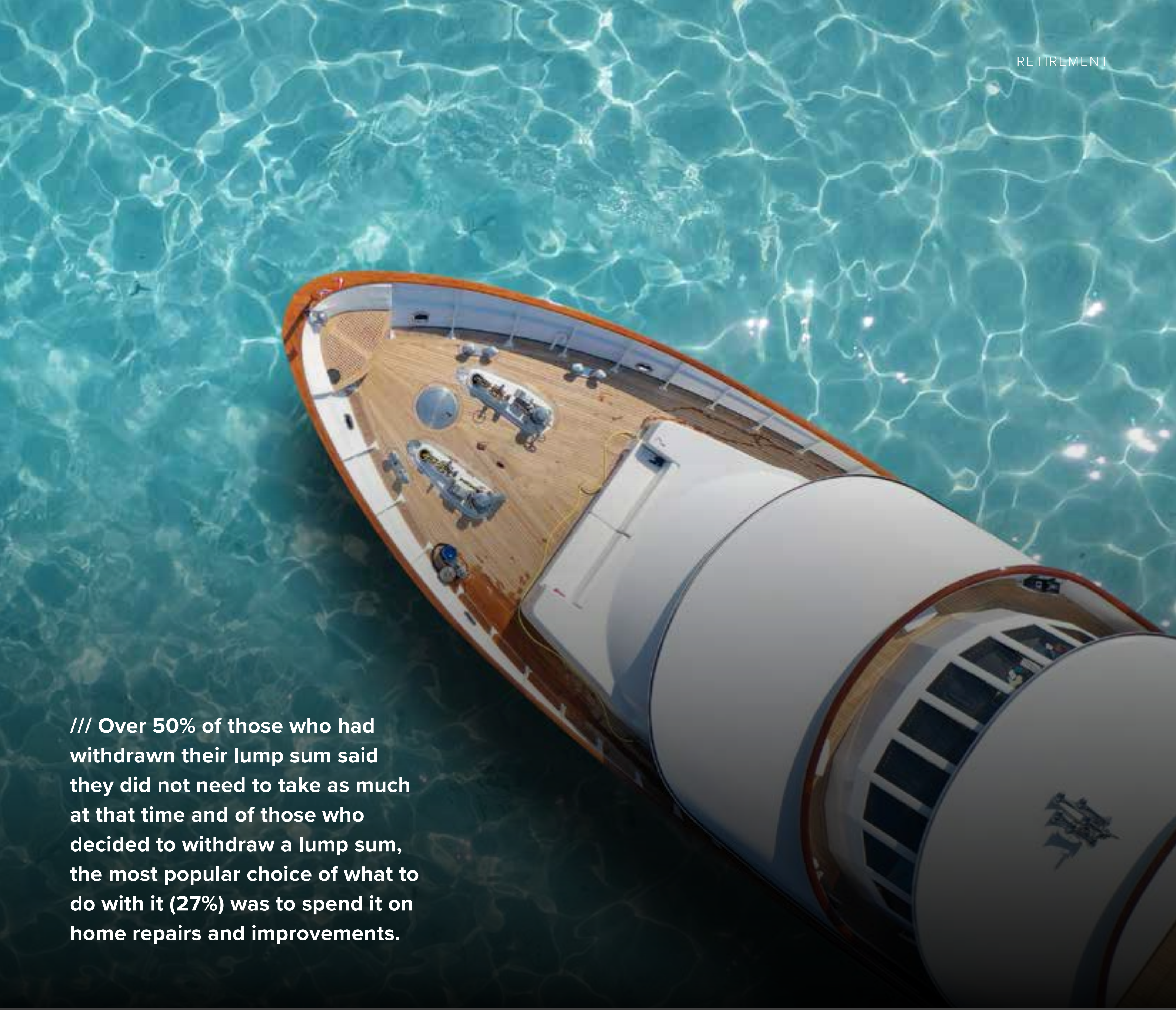
ACCUMULATION STAGE

Those who withdraw while still in the accumulation stage of their pension – which is the majority as mentioned above – compromise their 'Money Purchase Annual Allowance' (MPAA), which reduces the annual amount they can pay in to their pension each year, tax-free, from £40,000 to £4,000. This can have major tax implications for those still planning to put funds back into their pension pots.

Those with less in their pension are more susceptible to these trends. More than two-thirds (68%) of those who have taken tax-free cash from a larger pension pot (of over £250,000) have a plan so that their cash withdrawal provides them with an income in retirement.

BONUS OR A WINDFALL

This compares to only 13% of those with less than £10,000 in their pension – two-thirds (65%) of whom haven't yet worked out what monthly



income they will need in retirement. Over half (53%) of those with pots of less than £10,000 agreed with the statement that tax-free cash is 'there to spend, like a bonus or a windfall' compared to less than a third (30%) of those with pots of over £250,000.

INVEST FOR BETTER RETURNS

But even among more financially well-off savers, there is an aversion to keeping their tax-free cash invested in their pension. While nearly half (48%) of those with pots of over £250,000 say they believe their lump sum is something to 'invest elsewhere, for better returns', those with pots of over £250,000 are three times more likely to keep their tax-free lump sum in cash rather than invest it (54% in cash savings versus 18% in a Stocks & Shares ISA or other investments).

Women are also more at risk from the side effects of tax-free cash. Female pensions savers are more likely to withdraw earlier (33% of women versus 22% men at age 55) and to put their tax-free cash in a savings account, current account or Cash ISA to keep for a rainy day (29% women versus 19% men), leaving them vulnerable to accepting a low cash interest rate instead of an investment return in their pension for longer.

YOUR RETIREMENT – WE'RE HERE TO HELP

Pensions can be complex with so many considerations, including your family circumstances, pension rules and tax regulations. Whatever your situation, and however you want to enjoy retirement, we can help you. To find out more – speak to us to review your options.

Source data:

[1] Research was conducted for Legal & General in August 2021, surveying 1,526 members of defined contribution (DC) pension schemes in the UK, aged 50 years and older.

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.

WHAT DO YOUR **RETIREMENT PLANS LOOK LIKE?**

Pandemic sparks a surge in over-50s seeking professional financial advice

The coronavirus (COVID-19) pandemic has sparked a surge in people over 50 seeking professional financial advice[1]. For many, a sudden shift in their financial status has been overwhelming.

Money worries cause people to experience difficulties in lots of areas in their lives, from their physical and mental wellbeing to their personal relationships. Even those seeing an unexpected uplift in wealth may be confused about how they should feel and respond.

SEEKING PROFESSIONAL FINANCIAL EXPERTISE

Some over-50s have been impacted by a volatile stock market, furlough and job losses, plus low interest rates and fears of a deep recession. At the same time, others have enjoyed the off-setting benefits of the pandemic with enhanced savings and decreased living costs.

Despite these opposing fortunes, this context is driving more over-50s to seek professional financial expertise. Most commonly, people aged over 50 are asking for advice on pension planning (56%), early retirement (54%), part or phased retirement (53%) and accessing their pension at the point of retirement (53%).

WORKPLACE PENSION AND RETIREMENT PLANS

Human Resource decision-makers report a similar story, citing a sharp increase in the number of workers aged over 50 asking about their workplace pension and retirement plans during the pandemic.

More than half (52%) have seen an increase in requests for information about pension savings levels and estimated income in retirement. Two in five (44%) report a rise in employees asking to increase their pension contributions.

GROWING INTEREST IN GREEN AND ETHICAL INVESTMENTS

There's also more interest in the performance of workplace pensions. Almost half (46%) of Human Resource decision-makers say they're seeing more people in their 50s looking for a greater financial return on their pension investments following the pandemic.

At the same time, there is growing interest in green and ethical investments within this age group, with more queries about investments in 'green' companies (44%) and ethical issues (42%).

INCREASE IN REQUESTS TO DELAY PLANNED RETIREMENT DATES

In fact, the pandemic has prompted many over-50s to reconsider their retirement plans altogether. Almost half (46%) of Human Resource decision-makers say more employees in this age bracket are asking about taking a phased approach to retirement, while the same proportion (46%) have seen an increase in requests to delay their planned retirement date.

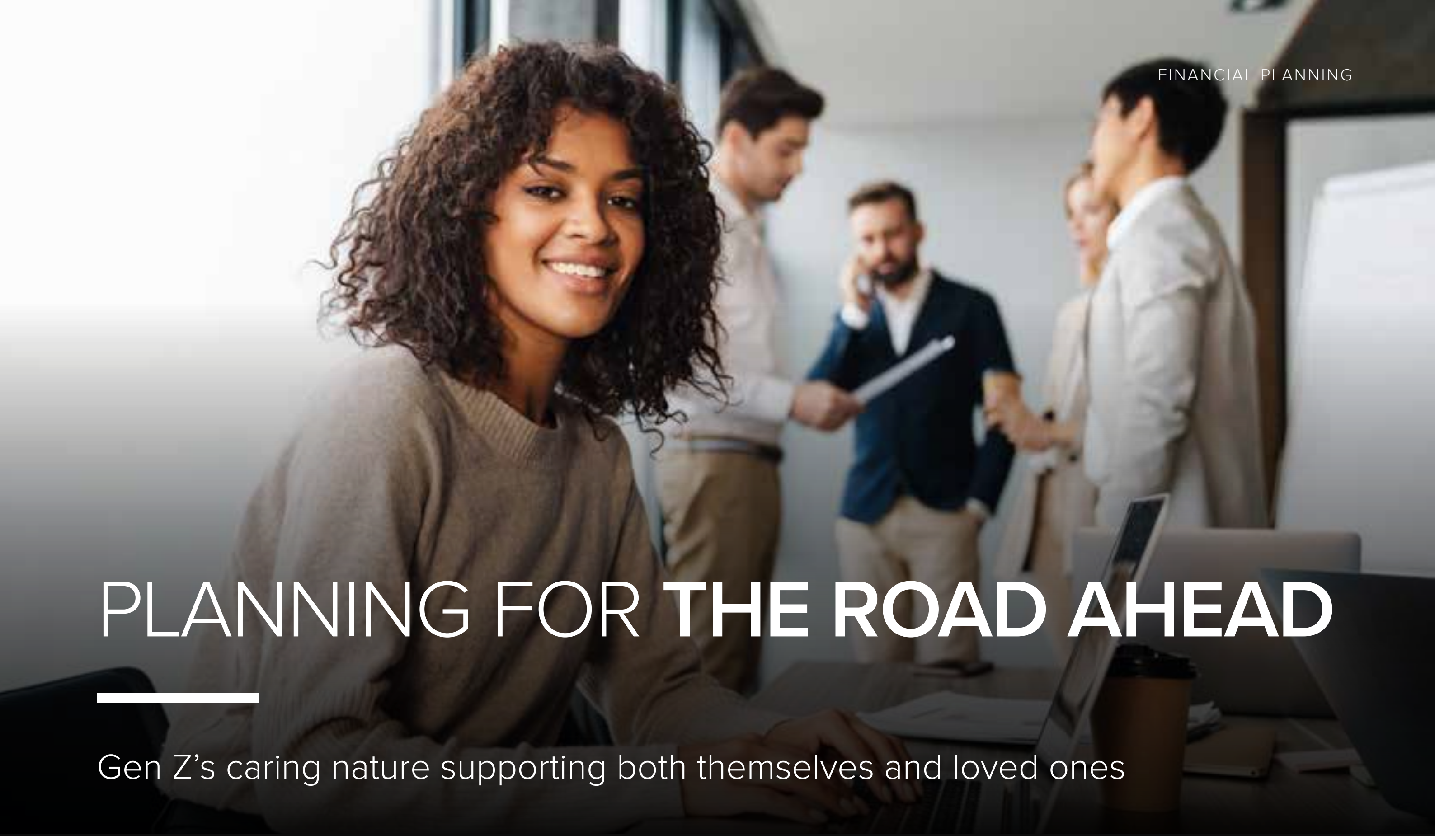
Some people probably don't start thinking about their retirement until they're much older. That's understandable, as it's difficult to think about living the life you've always dreamed of when your days are still dedicated to raising a family or climbing up the corporate ladder. However, if you'd like to be financially secure in the future, there are some things that you definitely should be considering now – one of which is planning for retirement in your 50s.

NEED HELP TO MAKE THE MOST OF YOUR PENSION?

Whatever you are planning for the future, we can help you to make the most of your pension and other investments, and achieve the retirement you want and deserve. Speak to us today to discuss your retirement plans.

Source data:

[1] The research was carried out online by Opinium Research across a total of 200 UK Independent Financial Advisers. Fieldwork was carried out between 12 - 17 August 2021. The research was also carried out online by Opinium Research across a total of 506 HR DMs in UK businesses (excluding sole-traders). Fieldwork was carried out between 12 - 16 August 2021.



PLANNING FOR **THE ROAD AHEAD**

Gen Z's caring nature supporting both themselves and loved ones

Younger generations deserve much more credit for planning ahead and beginning to think about retirement when it will still feel so far away for them, according to new research[1].

The pandemic will likely have impacted their mindset, with issues such as longevity and later life care now at the forefront and providing a stark reminder of the need to have provisions in place for the future – to support both themselves and loved ones.

SAVINGS JOURNEY

Generation Zers (those aged between 18 and 24) appear to be rising to the challenges they face so far and planning for the road ahead and the additional strains their finances will likely need to cover. Generation Z is also the first to have been auto-enrolled into a workplace pensions scheme from the start of their working lives, and will have an entirely different saving experience to that of their parents and grandparents.

As Generation Z begin their savings journey, they may look to benefit from the wisdom of those currently in retirement. With hindsight, a quarter (26%) of retired people wish they had saved more, while 25% felt they underestimated the potential length of their retirement and wish they had known this before they stopped working.

RETIREMENT FINANCES

Almost two-thirds (62%) of adult Generation Zers say they are happy to spend less on themselves so they can help loved ones and any children they have in future. Demonstrating a positive awareness of the demands their retirement finances might have to cover, a quarter (25%) of Generation Z expect to be paying for long-term care for a loved one in retirement, and 25% also expect to help their parents/in-laws financially.

The findings look to understand the attitudes, hopes and behaviours of people as they manage their finances to and through retirement, while considering the influence that age, affluence, education and gender have on their financial engagement and wellbeing.

FINANCIAL SUPPORT

The research reveals Gen Zers to be a highly caring generation, with 39% believing it's the responsibility of adult children to provide financial support to parents (compared to 29% of 45-54-year-olds, and 21% of 55-64-year-olds).

Providing fresh insight into the financial behaviours and attitudes of various socio-groups, the report shows Gen Z adults are already thinking about their future finances, with three in ten (29%) saying they have done 'a great deal of planning or thinking' about how much money they will need to live on in retirement.

FUNDING SOURCES

They appear to have done more planning than their elders, as only a fifth (21%) of Generation X say they've done a great deal of planning or thinking about retirement. Gen Z are thinking about future finances almost as much as the Baby Boomers – the generation closest to or currently in the early stages of retirement – where 31% say they have done a substantial amount of planning.

Furthermore, 62% of Gen Z adults state they are even worried they're spending too much money now in case they run out later in life. However, while Gen Z show a high level of consideration for how much they may need in retirement, and what they may spend their money on, there are still some elements they are unsure about, with a fifth (20%) not having given any thought to their potential funding sources for retirement – the highest of any age group. ◂

i

HOW CAN I MAKE THE MOST OF MY PENSION PLAN WHILST I'M YOUNG?

How you approach your pension planning early in your working life could make a huge difference to how much money you have later on. The sooner you start, the longer your money is invested and has the potential to grow. How much you'll need to save will depend on what sort of lifestyle you'd like to enjoy later in life. Contact us to discuss your requirements.

Source data:

[1] Boxclever conducted research for Standard Life among 4,896 UK adults. The research is nationally representative of UK adult population in terms of age, gender, region, with 578 people falling into Generation Z. Quantitative fieldwork was conducted between 16 - 23 July 2021. Qualitative fieldwork was conducted between 3 - 11 August 2021.

MINIMUM PENSION AGE ON THE UP!

Increase intended to align with the raising of the State Pension age

One of the less publicised pension changes being planned is the raising of the Normal Minimum Pension Age (NMPA) from 55 to 57. This is to be effective from 2028 and will be included in next year's Finance Bill. The NMPA is the age that you can usually first access pension benefits without incurring penal tax charges.

Pensions tax rules in the UK are some of the most complicated aspects of UK tax legislation – not ideal when pretty much everyone has to interact with them. The last thing that is needed is anything that significantly adds to this complexity, particularly where the impacts will be felt for decades.

INCREASING ON A STAGGERED BASIS

The increase in NMPA to 57 is intended to align with the raising of the State Pension age to 67, and will reinstate the ten year difference between the two ages. The State Pension age is increasing on a staggered basis depending only upon your date of birth. Although younger people lose out by having to wait longer, the position is clear to everyone and is as simple and fair as it can be. Unfortunately, the implementation of the increase in the NMPA is neither simple nor fair and it is going to be incredibly complicated.

The increase in NMPA will be subject to protections where some will remain entitled to access their pension at 55. Whether someone has a protection will be decided on a pension scheme by pension scheme basis. It will depend upon whether the pension scheme on 5 April 2023 gave an unqualified right to take benefits as at 11 February 2021.

TRANSFERRED TO A NEW PENSION SCHEME

HM Revenue & Customs have indicated that where pension schemes rules include a reference to benefits being taken from age 55, this would be an unqualified right; however, a reference to taking benefits from the NMPA would not meet the requirement.

There will be a ring-fencing where funds in a pot with protection are transferred to a new pension scheme, with funds transferred (and any investment income on those funds only) accessible at 55, whereas any new payments in would only be accessible at 57. There is a window until 5 April 2023 to transfer into a pension scheme that has the right to access at 55, provided that the scheme had this right as at 11 February.

WHAT IF I COULD HAVE THE RETIREMENT I REALLY WANT?

With more freedom and flexibility to do exactly what you want with your pension, you now face what may seem like a maze of options. That's why it's important you obtain professional financial advice. And in times of uncertainty, it's more important than ever to talk about your money – that's why we're here to help. To find out more, please contact us.

Published by **Goldmine Media Limited**
Rivers Lodge, West Common, Harpenden, Hertfordshire, AL5 2JD.