THE NAVIGATOR

ISSUE 1

HELPING OUR CLIENTS NAVIGATE THEIR WEALTH

FINANCIAL FREEDOM

Steps to mitigate against Inheritance Tax

RETIREMENT OPTIONS

Greater responsibility on individuals to plan for financial security in old age

SEIZE THE DAY

Planning for a comfortable life after years of hard work

SMART PLANS

Living a less complicated life!

WEALTH PROTECTION

Planning your legacy

THE TIME IS NOW

A much-needed boost to the nation's savings

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SMART PLANS

Living a less complicated life!

For anyone enjoying their retirement years and living a less complicated life, it can be easy to assume that you no longer require professional financial advice. Some people may believe that since they have reached their 60s and 'retired', the hard work is over.

But there are probably another three or four decades ahead, and if we were to split life into two halves, this second half is likely to be more complex and challenging than our careers. From age 60-plus, the world will throw a host of challenges our way.

This is not the time to be without expert professional financial advice. This is the period of life when financial planning is most valuable and rewarding.

Looking ahead

Between the ages of 20 to 60 is typically the period of working life for most people. You work and strive, building a career, buying a house, raising a family, perhaps paying for education and enjoying a certain standard of living.

This entails managing debt, balancing income and expenditure, putting money away into a pension, saving for a rainy day and topping up ISAs annually. It is hard. It can be a tough climb. You need to be well equipped.

All of a sudden, the striving is over. Enough money, or so you hope, has been invested to leave the workplace behind, and your mortgage is repaid. The pension pot is bulging, your children have graduated and the new car on the driveway is finance-free for the first time. Your sights are set on a holiday home, and everything looks good.

You may well have had professional financial help during this 40-year growth phase, but most of those years may be behind you. You need to look ahead.

Overriding emotions

But it's the second half of life, from the 60-plus stage, that is more aligned to spending. Having achieved so much in life, the overriding emotion can now be the fear of loss. The conundrum being: 'How can we live our ideal life, safe in the knowledge that we will always have enough?'

Safety and fear of loss are key concerns. Have we got enough income to meet our obligations? Will we run out of money? Can we afford to support our favourite charity? What happens if one of us needs long-term care? Should we help our children now, or later? Is our capital keeping up with inflation? Can we keep on having fun?

As people age, illness can strike out of the blue and blow plans off course overnight. What then? A new and unexpected challenge, and no life experiences to fall back on. There are choices and tough emotional decisions to be made – this is when professional financial advice and support are essential.

MAINTAINING YOUR LIFESTYLE ONCE YOU'VE STOPPED WORK

One of the most common worries for many people as they enter retirement is to ensure they're able to maintain their lifestyle once they've stopped work. Continuing to have access to and receive professional financial advice is key. If you've retired and want to reassess your options, please contact us.

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SEIZE THE DAY

Planning for a comfortable life after years of hard work

Over time, with life expectancy and the cost of living rising, it could mean that some retirees are at risk of running out of pension income in later life. So what can you do to make sure that you have a big enough pension to meet your needs for the whole of your retirement?

To begin with, we all know when planning for retirement, the earlier we start saving and investing, the better off we'll be, thanks to the power of our money compounding over time. And even if we start saving later in life or we've yet to begin, it's important to know that we're not alone and that there are steps that can be taken to increase our eventual retirement savings.

It's no secret – retirement changes your life

After years of hard work, retirement is an exciting period in life. You might be looking forward to taking a trip to sunnier climes, dedicating more time to a favourite hobby or spending more time with family and friends. However, to ensure that you are able to continue to pay the bills and live comfortably when you are no longer drawing an income, you need to start putting money aside as soon as possible. The thought of it may be daunting, and it can feel like an impossible mission.

The process of building a retirement pot typically involves a combination of consistent saving and long-term investments but saving and investing for your retirement can look pretty different during your twenties versus your forties.

On your way to a comfortable life after work

With discipline and determination, you can be on your way to a comfortable life after years of hard work. Building a retirement pot requires more certainty in your financial planning and less risk-taking. But first, you need to figure out how much you need in order to set a goal.

Retirement is personal and full of surprises, so it's important to decide what you want yours to look like first, and then plan how to make it a financial reality. We've provided some tips to help boost your savings – no matter what your current stage of life – to enable you to pursue the retirement you deserve.

1. Retirement goals

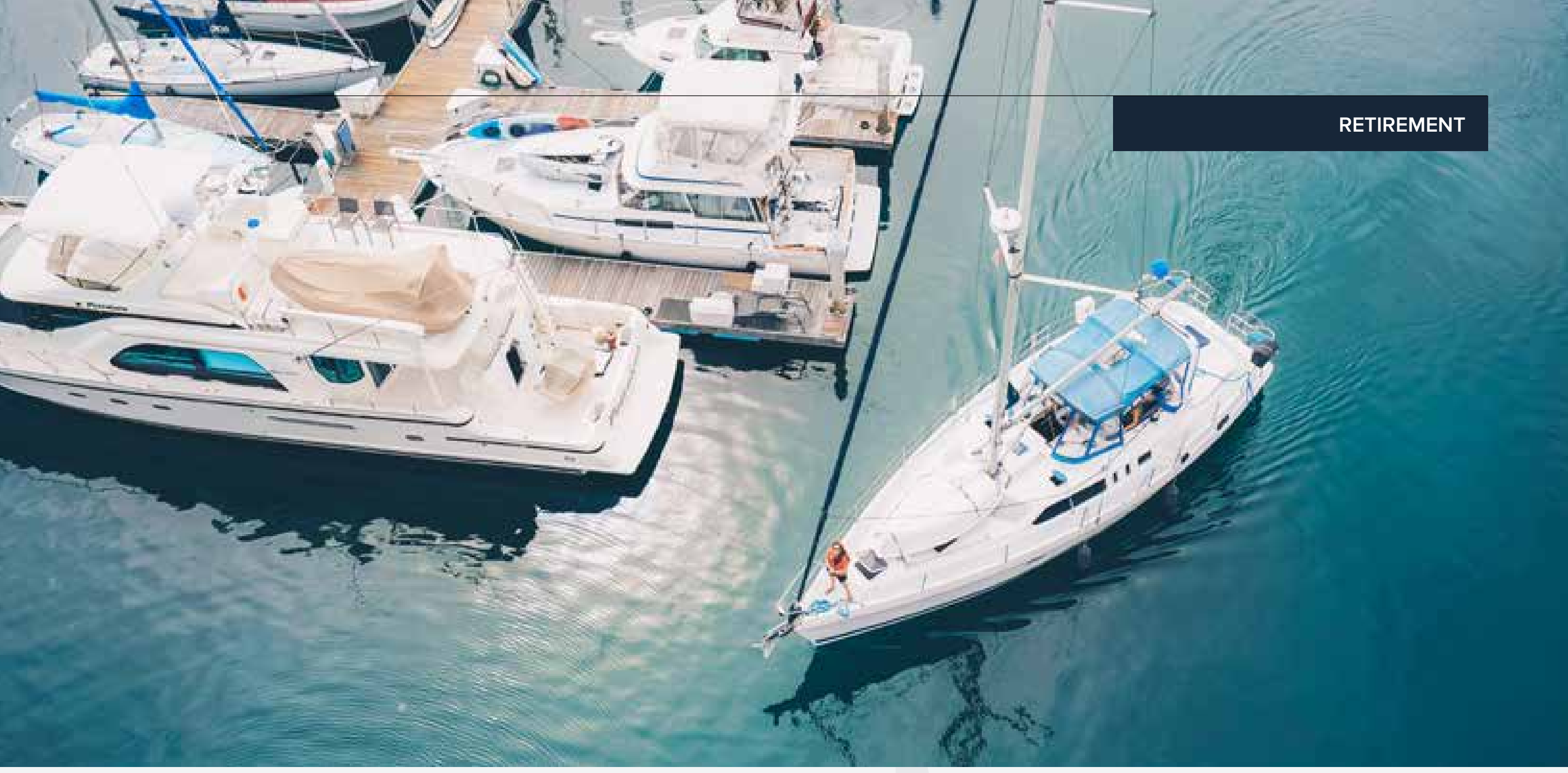
Setting up a retirement goal requires you to find out how much income you need when you have stopped working. To get an indication of this, use the following questions to help you:

- At what age do I plan to retire?
- How many years do I have to plan for whilst I'm in retirement?
- What is my desired monthly income during retirement?

2. Risk appetite

Are you a 'conservative' investor who cannot afford to lose the initial capital you put up? Can you sacrifice the certainty of having your principal protected in order to gain higher potential earnings?

If you do not already have a large sum of retirement savings, you shouldn't take too



much risk when you invest, since you may not have the luxury of time to recoup any investment losses as you approach your retirement target age.

3. Time horizon

If appropriate, generally a bigger portion of your retirement pot can be apportioned for higher-risk investments if you start early in your career. As you progress closer towards the retirement years, it's usually prudent for your pension pot to focus increasingly on lower-risk investments or savings with the objective of providing more stable returns.

It's important to consider allocating your investments into products suitable for different investment horizons (short, medium and longer term) depending on your risk appetite. For example, a short-term investment could include some riskier assets such as single equities or investing in a fast-growing speciality fund. You should always be reminded that with higher expected returns come higher risks.

4. Inflation

If you choose to save your way to retirement by putting cash into a savings account, the value of your money could potentially be eroded due to inflation. Therefore, in order to ensure that the money you have now preserves its purchasing power during your retirement years, you need to choose savings or investments that have the potential to provide you with higher returns.

5. Diversification

While putting all your retirement savings into a bank account can be potentially risky, so too can investing all of your savings in shares. The key to growing your retirement fund will typically include having different asset classes in your portfolio, which is otherwise known as 'diversification'. Diversification not only helps you manage the risk of your investments, but it also involves re-balancing your portfolio to maintain the risk levels over time.

6. Affordability

Building a retirement pot is a long process. By starting late, you may find that you need to set aside a larger amount for your retirement. This could reduce your current disposable income and may cause you to reduce your current quality of life.

Therefore, you'd want your retirement sum to be an affordable amount for your current lifestyle. We can work with you to help you take a look at your current commitments to make saving for your retirement a sustainable habit.

HOW MUCH MONEY DO YOU NEED TO RETIRE?

It's never too early to start planning for your retirement! With discipline and determination, you can be on your way to a comfortable life after years of hard work. To find out more or to discuss your situation, please contact us.

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RETIREMENT OPTIONS

Greater responsibility on individuals to plan for financial security in old age

Deciding what to do with your pension pot is one of the most important decisions you will ever make for your future. The 'pension freedom' changes of April 2015 represented a complete shake-up of the UK's pensions system, giving people much more control over their pension savings than before.

New research[1] has revealed that the number of savers who have embraced their freedoms now exceeds one million (1.04 million). The report from HM Revenue & Customs shows that a record-breaking sum of £7.83 billion was withdrawn in 2018[2], up from £6.54 billion in 2017. It is reported that there have been 5.49 million individual withdrawals since the pension freedoms were introduced in 2015.

Uncontrolled 'dash-for-cash'

There is, however, currently no evidence of an uncontrolled 'dash-for-cash' that was feared by some when the freedoms were introduced. The 2018 figure of £7.83 billion needs to be seen in the context of a total private pension wealth in the UK of approximately £5,000 billion[3].

Withdrawal payments have also consistently averaged less than £4,000 since summer 2017, showing little evidence of savers rushing to buy extravagant luxury items. These freedoms are attractive to younger savers too, with recent figures released[4] finding that one third (33%) of under-35s believe this flexible access encourages them to put more money towards their pension.

Five tips to help make the most of the pension freedoms

1. Understand your State Pension: the State Pension continues to be most people's biggest source of income in retirement. But the State Pension, and the age at which you are entitled to this money, is changing – www.gov.uk/check-state-pension.

2. Take your time: you may have spent 40 years saving for your retirement. Take more than 40 minutes considering your options.

3. Obtain professional financial advice about what you can do with your pension pot: there are a number of different ways you can take your defined contribution pension pot. You can usually take 25% of your pot tax-free from age 55.

Your options are to:

Leave your whole pot untouched

You don't have to start taking money from your pension pot when you reach your 'selected retirement age'. If you want to build up your pension pot further, you can continue to receive tax relief on pension savings of up to £40,000 each year (tax year 2019/20), or currently 100% of your earnings if you earn less than £40,000, until age 75.

Guaranteed income (annuity)

You can use your pot to buy an insurance policy that guarantees you an income for the rest of your life – no matter how long you live. You don't have to accept the annuity that your pension provider or pension scheme offers you. The 'open market option' allows someone approaching retirement to shop around for a number of options to convert their pension pot into an annuity, rather than simply taking the default rate offered by their pension provider.

Adjustable income

This option is also known as 'flexi-access drawdown'. You move your pension pot into one or more funds that allow you to take a taxable income at times to suit you. You choose funds that match your income objectives and attitude to risk and

set the income you want. The income you receive might be adjusted periodically, depending on the performance of your investments.

Take cash in lump sums

Another option is to take smaller sums of money from your pot until you run out. How much you take and when you take it is up to you. You decide how much to take and when to take it. Your 25% tax-free amount isn't paid in one lump sum – you receive it over time. Each time you take a lump sum of money, 25% is tax-free and the rest is taxable.

Take your entire pot in one go

You can cash in your entire pot – 25% is tax-free, and the rest is then taxed at your highest tax rate (by adding it to the rest of your income). However, cashing in your pension pot will not give you a secure retirement income. If you're thinking of doing this, you should first obtain professional financial advice to discuss your options.

Mix your options

You can mix different options. Usually, you would need a larger pension pot to do this.

4. Consider your life expectancy: pension savings are intended to last the rest of your life, yet we typically underestimate how many years we may live. Figures from the Office for National Statistics[5] show that for 2015 to 2017, a woman's life expectancy in England from birth remains 82.9 years, and for a man it is 79.2. For men and women in Scotland and Wales, the latest figures show a slight decline by more than a month. Men in Northern Ireland have seen a similar fall.

5. Approach final salary pension transfers with caution: if you have a final salary pension, you will need to transfer it elsewhere to access the freedoms. This is a significant decision, as you could lose important benefits. Such a decision should be approached with caution and with the guidance of professional financial advice.

The onus is now firmly on us as individuals to plan our financial security in retirement. We're now expected to take greater responsibility for funding the time in our lives when we're dependent on a lifestyle that we've spent the last 40 years saving for. ■

IT CAN HELP TO BE FLEXIBLE

There's a lot to think about when you're planning for retirement. And don't forget that your situation may change in the future, so it can help to be flexible. If you would like to discuss your particular situation or arrange a meeting, please contact us.

Source data

[1] https://www.gov.uk/government/statistics/flexible-payments-from-pensions

[2] Note: this figure underplays the total amount withdrawn as it does not include any additional amounts taken as tax-free-cash.

[3] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/wealthingreatbritainwave5/2014to2016#private-pensions-wealth

[4] Aviva 2018 survey of 1,000 UK adults: 'Would you put more money towards your pension if you were able to access the money more flexibly?'

[5] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/nationallifetablesunitedkingdom/2015to2017

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WEALTH PROTECTION

Planning your legacy

Unforeseen life events and circumstances can potentially impact your finances in a number of ways. Believe it or not, you have an estate. In fact, nearly everyone does.

Your estate is comprised of everything you own – your car, home, savings accounts, investments, life insurance, furniture, personal possessions – the list goes on. No matter how large or how modest, everyone has an estate and therefore shares something in common – you can't take it with you when you die.

Ensure your wishes are carried out

When that happens, you probably want to control how these things are given to the people or organisations you care most about. To ensure your wishes are carried out, you need to provide instructions stating whom you want to receive something of yours, what you want them to receive, and when they are to receive it. You will, of course, want this to happen with the least amount paid in taxes, legal fees and court costs.

An estate plan differs considerably from a Will. A Will is quite a simple document about the distribution of your assets and, potentially, instructions for the care of your children. An estate plan, however, goes much further than a Will, and aims to help your heirs pay substantially less in taxes and fees.

Let's consider some key parts of an estate plan.

Your current circumstances

There are a number of key documents that together build a clear picture of your current circumstances. Aside from the Will, some key documents within an estate plan could include:

- A lasting power of attorney
- A list of all assets and liabilities
- Deeds of any trusts created
- Life policies (which should be included in an appropriate trust)
- Pension Death Benefit Nomination forms
- Records of any gifts made

Before moving on to the next part of your estate plan

Should any of the above be required but aren't available, you should seek professional advice before moving on to the next part of your estate plan. For example, if you've made gifts from your estate but haven't kept a record of them, it's important to do so – this way, the executors of your estate have these details when administering your estate.

Key parts of an estate plan are your objectives and preferences. They could include details of whom you wish to benefit from your estate and when you'd like this to take place – either during your lifetime and/or upon your death. With Inheritance Tax (IHT) currently at 40%, many people are concerned about the amount of tax their estate may have to pay. And as anyone can access information from a probate court upon death, there could be delays, fees and a loss of privacy. You may also have a favourite charity you'd like to transfer your wealth to, or philanthropic goals you wish to include.

Structuring your wealth tax-efficiently

Once you have an accurate record of your estate and have clearly defined your

objectives, the final part of an estate plan is to put it into place. You may need professional advice to help arrange your assets to maximise the legacy to your loved ones and minimise the impact of tax, fees and loss of privacy.

We can advise you on your options to make sure these are executed correctly. This may involve helping you invest in assets that are exempt from IHT, creating a trust for loved ones, putting a gifting strategy in place, or simply helping to structure your wealth tax-efficiently.

Reviewing your plan annually is sensible

Once the plan is in place, it's important to keep it up to date. It's usually sensible to review the plan annually or when there's a significant life event, such as a birth or death in the family, a business sale or if your objectives change over time. It can also be good to seek a review of your plan when taxation rules change.

NEED SOMEONE TO TALK TO ABOUT YOUR ESTATE PLAN?

If you want to be sure your wishes will be met after you die, then an estate plan is vital. Whatever your circumstances, we are there to talk things through with and guide you in an appropriate direction. If you require more information or would like to discuss your situation, please contact us.

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ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

THE RULES AROUND TRUSTS ARE COMPLICATED SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

ESTATE FACTS

Inheritance Tax is levied at a fixed rate of 40% on all assets worth more than £325,000 per person (0% under this amount) – or £650,000 per couple if other exemptions cannot be applied

Parents and grandparents can currently leave property worth up to £850,000 to their children without them having to pay Inheritance Tax. This figure will rise to £1 million by 2020

The current allowance of £325,000 remains unchanged, but an additional tax-free band worth £175,000 per person on your main residence will be added to the £325,000, making it £500,000 per person. The new tax-free band was set at £125,000 in 2018, eventually rising to £175,000 in 2020

MONEY'S TOO TIGHT TO MENTION

Don't let inflation reduce the value of your investment returns

Inflation can have a significant impact on our finances in a number of ways. But what exactly does it mean? And what impact could it have on our savings and investments? It's important to understand how inflation works, as well as the effects it has on our financial planning. As the American economist Milton Friedman remarked, 'Inflation is taxation without legislation.'

Put simply, inflation affects all aspects of the economy, from consumer spending, business investment and employment rates to government programmes, tax policies and interest rates. Understanding inflation is crucial to investing because inflation can reduce the value of investment returns.

Inflationary pressures in an economy

There are several different factors that may create inflationary pressure in an economy. Rising commodity prices can have a major impact, particularly higher oil prices, as this translates into steeper petrol costs for consumers.

Stronger economic growth pushes up inflation too, as increasing demand for goods and services places pressure on supplies, which may in turn lead to companies raising their prices. The falling pound since Britain's vote to leave the EU in June 2016 has also been a contributing factor, as it makes the cost of importing goods from overseas more expensive.

Eroding the purchasing power of your money

Inflation is not good news for savers, as it erodes the purchasing power of your money. Low interest rates also don't help, as this makes it even harder to find returns that can keep pace with rising living costs. Higher inflation can also drive down the price of bonds. These become less attractive because you're locked in at interest rates that may not keep up with the cost of living in years to come.

One option is index-linked gilts, which are government bonds whose interest payments and value at redemption are adjusted for inflation. However, if they're sold before their maturity date, their market value can fall as well as rise and therefore may be more or less than the redemption value paid at the end of their terms.

Providing better protection against inflation

Investing in equities can potentially provide better protection against inflation than deposit accounts or bonds, which aren't index-linked, because companies can raise prices to cover higher costs. That, in theory, should enable them to grow at the same rate of inflation over time.

However, investing in equities can carry a higher risk, and you must be prepared to accept that you could get back less than you put in and that the value of your investment may not keep up with inflation.

When the cost of living increases

Companies that raise their prices in line with inflation tend to fare better than others when the cost of living is increasing. Energy companies, for example, may perform well in an inflationary environment as they can raise their prices in line with inflation. Infrastructure companies – such as those responsible for toll roads, government buildings and hospitals – may also do well, as they often have long-term government contracts in place with payments linked to inflation, which encourages private sector investment.

Other companies that tend to be resilient to inflation are those producing consumer staples, which will always be required, regardless of what happens to prices. These include companies that produce food and drinks or other essential items such as cleaning products, toothpaste and prescription drugs. ■

CONCERNED ABOUT THE EFFECTS OF INFLATION ON YOUR INVESTMENTS?

Inflation can eat away not only at your capital growth, but also the value of dividend payments, which will not usually keep pace with rising inflation. With a weaker pound following the Brexit vote pushing up import costs and contributing to rising prices, this is potentially bad news for investors. To take stock of your particular situation, please contact us.

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SPRING INTO ACTION

Taking a closer look at what you're spending as a family can help make significant savings

It will not be too long before spring is finally upon us, and those winter months (even though we've had a really mild winter) will start to become a distant memory. But with spring comes a new tax year – the 2019/20 tax year is just around the corner.

It may be tempting to leave the family finances ticking along. However, while you may feel the urge to give your home a spring-clean as we move into this time of year, why not take the same approach with your finances?

Here are some simple tips on how you can take a closer look at what you're spending as a family and help make significant savings.

Create a budget and try to stick to it

The best financial planning begins with a piece of paper and a pen (okay, you may want to use a computer and spreadsheet). By working out your family incomings alongside your outgoings, you'll soon spot easy ways for saving cash, such as cutting down on takeaways or shopping trips for a single item.

If you're looking to track your finances more closely, you could use an app to help keep on top of your income and expenditure budget. This will instantly show you how much money is spare so you don't overstretch yourself.

Clear loans or credit cards with savings

If you're just clearing the minimum payment on loans and credit cards despite having cash in the bank, then it's worth doing the maths to work out what's actually doing more for you. Your savings could be earning little or no interest, while your payments are costing you money in interest.

While it's good to keep a nest egg for an emergency, in this scenario you're paying for the privilege of doing so – money that would be better spent elsewhere.

Take a look at your credit report

Whether you want to take out new lines of credit or not, it pays to stay on top of your personal financial data. In the UK, the three main credit reference agencies (CRAs) are Experian, Equifax and Callcredit. Be aware that repeatedly applying for credit can harm your chances of getting credit, because lots of credit searches might indicate you're having problems. You can apply for your credit record as often as you like, though.

Review your insurance cover

Being underinsured or overinsured will cost you money either way. Whether it's life insurance, policies for your home, car, medical bills or travel, or just a backup in case products break down, put a date reminder in your diary a month before the renewal. You'll then have enough time to shop around and ensure you get the best possible quote for your specific needs.

Don't forget about your pension pot

For many people, retirement may feel a long way off, but with UK life expectancy increasing it pays to think ahead. Many people choose to pay off their mortgage with surplus cash rather than invest in a pension. But for many, owning a home is still a dream.

Whether you're a millennial or nearing the end of your working life, you need to keep a constant eye on how much your pension is performing and whether it needs topping up. This is especially important with the latest changes to the State Pension age.

Check your Council Tax band

Some homes are in the wrong Council Tax band, as houses in England and Scotland were put into valuation bands in the early 1990s – bands that don't accurately reflect what the house is worth today. You can check what band your property fits into on the Government's website and, if you feel the band is incorrect, challenge it as well.

Use the Internet wisely to save big

Online comparison sites are one quick way to save money, but consider using voucher code websites or buying online through sites where you can receive cashbacks on purchases from many top brands and stores, so you could soon see the savings mount up.

Also, don't forget to empty your browser's history and cache when shopping for the best deals. Some sites remember if you've already looked at a product and won't give you the best price, presuming you want the goods too much already – a tactic common among airlines and holiday websites.

Get your children involved in saving

Teaching kids the value of money can instil the financial skills they'll need as an adult and even stop them from wanting you to spend so much. Set up jars around the home for them to put coins into instead of buying sweets or toys.

Visually seeing the coins mount up encourages them to save and skip impulse buys. You could even write a monetary goal on the jar to incentivise them further – either the amount to reach or what will be bought, whether it's a video game or a new bike. ■

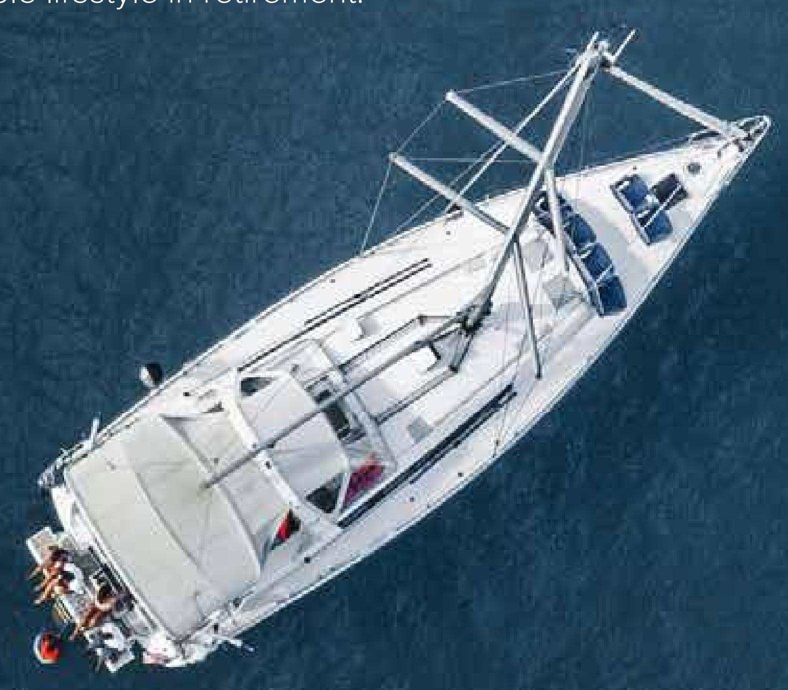
GETTING YOUR FAMILY FINANCES IN ORDER

These tips are just a few simple ways to spring-clean your finances – and there's no time like the present to start. Keep a list of what you save each day, and you'll soon be encouraged to save harder and faster as the amount grows. Please contact us to find out more about our services and how we could help you make the most of your hard-earned money.

FINANCIAL FREEDOM

Experiencing a golden age without money worries

Saving enough during our working life will not just give us freedom to manage our finances more flexibly, but it will also help us to secure a more comfortable lifestyle in retirement.



Even though the baby boomers (the generation born between 1946 and 1964) are better off than any other generation, according to a new report[1], one in three (33%) people nearing retirement in this age demographic still don't feel confident they'll have enough funds to live on[2].

Money worries

The Income Roulette Report reveals that more than a quarter (28%) of people expecting to retire within the next five years don't know how much they have in their pension pot. In addition to money worries, some did not feel emotionally ready for retirement, with one in six (16%) admitting they were worried they would not be as intellectually stimulated, and one in ten (12%) worried they would not know what to do with their time.

The research also reveals that two in five (42%) of those who have already retired feel their financial situation has significantly worsened since doing so. Furthermore, over a third (35%) of retirees feel they're often hit with unexpected costs like home maintenance, car repairs, or helping their children or grandchildren, meaning they frequently find themselves financially vulnerable.

Greater confidence

It's essential that people start planning and seeking the necessary professional financial advice earlier so that they can make the transition into retirement with greater confidence. A robust advice process will include encouraging anyone considering their retirement financial planning to compare their current monthly outgoings with their expected outgoings in retirement. This will give a clear indication of the level of income required.

It's often said that over-55s are experiencing a golden age when it comes to their finances. Entering retirement should be an exciting time, but the research shows this doesn't automatically mean this group is confident about their retirement plans – both from a financial and emotional perspective.

Financial affairs

On the one hand, 'pension freedoms' offer people more flexibility and choice, while on the other, it demands they take greater responsibility for their own financial affairs. It can also help for people to think about where their different pension pots are and if they would be better off bringing them all together in one place. This can ensure they enter retirement with confidence and control over their savings, and greater choice about how to take an income that will provide everything they hope for from retirement.

Trying to figure out how much money you will need to retire can be one of the most difficult financial questions to answer. We can no longer assume that we will be mortgage-free homeowners in retirement. For those unable to get on the property ladder during their working life, a large private rental bill needs to be factored into retirement planning. As a 'broad rule of thumb', retirees shouldn't see a huge change in their standard of living if their combined pension income equates to around two thirds of their gross wages before they retire. ■

THE SOONER YOU PLAN, THE BETTER

Whatever your goals in life are, careful planning and successful investing of your wealth can help you get there. There are a range of options available to help you prepare for your retirement. To find out how we can help, please contact us – we look forward to hearing from you.

Source data:

[1] ONS March 2018, 'How do the post-World War baby boom generations compare?'

[2] Methodology for consumer survey: YouGov, on behalf of LV=, conducted online interviews with 8,529 UK adults between 20 and 26 June 2018. Data has been weighted to reflect a nationally representative audience.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY 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.

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 TIME IS NOW

A much-needed boost to the nation's savings

A million more women in their 20s could be saving adequately for retirement if they were able to access emergency cash from their pension, according to new research[1].

The latest Women & Retirement report highlights that the current lack of flexibility in pensions is a barrier to saving and that introducing the ability to access funds for unexpected bills could provide a much-needed boost to the nation's savings.

Age bracket

Four in ten (40%) women aged 22–29 who have a pension say they don't save as much into it as they would like, because they want ready access to money in case of emergencies. This compares to just under a quarter (24%) of men aged 22–29. Around 357,000 women in this age bracket would start saving into a pension for the first time if they could have the option to access some of their savings should they need it[2].

The report revealed that more than two thirds of women aged 22–29 (67%) are not saving enough for retirement, and 25% aren't saving anything at all. Men of the same age are better prepared, with 46% saving adequately for retirement and fewer not saving at all (17%). The current minimum employer pension contribution through auto-enrolment is 8%. However, Scottish Widows suggests a combined 12% employer and employee contribution as an adequate level of saving[3].

Maternity leave

At every age, men's savings outpace women's. This could be for a number of reasons, including the gender pay gap, women taking maternity leave or even choosing to work part-time. The gap widens as savers reach their forties, when women have an average of around £23,000 in savings and investments, but men have more than £50,000.

Men's savings continue to grow well into their seventies, where they reach an average of almost £130,000, yet women have around £48,000. Women in their sixties begin to see their savings dip, which could suggest they are accessing their pensions much sooner than men.

Financial difficulties

While problems with money can affect anyone, the research shows that young women are more likely to face financial difficulties than men of the same age[4]. More than half of women aged 22–29 (56%) say they have been in financial difficulty, versus 50% of men aged 22–29. More than a quarter (27%) of women aged 22–29 also said their money problems were caused by an unexpected bill.

A fifth of women in this age group (21%) say a drop in their income put them into financial difficulty, and one in seven (13%) has faced financial hardship following the breakdown of a relationship.

Unexpected bill

For a young woman in Britain today, an unexpected bill of £270 would be enough to put them into the red, while young men say they could comfortably manage no more than a £315 bill. Beyond this age group, the gender gap persists with women of all ages (18+)

expecting a £308 bill being enough to force them into debt, versus £367 for men.

One in five working women (20%) aged 22–29 feel insecure in their job, compared to one in ten (13%) men, which may affect their attitudes towards saving into a pension. Women also feel less confident in their ability to find a new job if they needed to. Nearly three in ten (28%) say they would not be confident finding a new job within three months, versus 24% of men.

Financial hardship

It's good news that more women are saving for their retirement, and undoubtedly auto-enrolment has played a big part in encouraging that shift. However, it appears that a disproportionate number of women are facing financial hardship.

Many women fall into debt because they simply don't have the savings or financial resilience to manage life's income and expenditure shocks, so women can be particularly vulnerable if they face situations like job loss, divorce or large unexpected household bills.

LOOKING TO BOOST YOUR PENSION?

As part of our service, we take the time to understand your unique needs and circumstances so that we can provide you with the most suitable solutions in the most cost-effective way. If you would like to discuss the range of services we offer or you have a specific topic you would like to discuss, please contact us.

Source data

[1] There are 3,404,279 women aged 22–29 in Great Britain, according to ONS population estimates to mid-2017. According to data from the Scottish Widows Women and Retirement Report 2018, 75% have a pension and of these, 40% say they don't save as much into their pension as they would like to because they feel they need the flexibility to access savings if they need them. This equates to 1,021,284 women aged 22–29.

[2] 25% of women aged 22–29 in the UK don't have a pension. Of these, 42% say they would be likely to start saving into a pension if they were allowed to make a limited number of withdrawals from it during times of financial difficulty. This equates to 357,449 women aged 22–29.

[3] Scottish Widows suggests a combined 12% employer and employee contribution as an adequate level of saving.

[4] 'Financial difficulties' is defined as not being able to pay for your current obligations.

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MILLENNIALS GET REAL WITH THE NUMBERS

Making sacrifices for home ownership over retirement

Millennials are chasing the home ownership dream at the potential cost of a lower income in retirement, new research[1] shows.

Over a third (35%) of millennials say they prioritise saving for a deposit on a home instead of their retirement. Nearly a fifth (19%) say buying a house is the main reason they don't save more into their pension, while 10% say student debt stops them saving into a pension. One in 11 (9%) admits that frequently changing jobs affects their ability to make regular pension contributions.

Millennials seem willing to make sacrifices for home ownership, with one in ten (10%) living with parents instead of renting to help save more money for a home. The study found men are almost twice as likely (20%) to be heading home compared to women (11%).

Bank of Mum and Dad

Despite worries about graduate debt and the squeeze on wages, on average, nearly a third (31%) expect to buy their first property by the age of 30, with men (39%) more confident than women (26%) they'll achieve their ambition. However, the research shows they won't all have to save hard – an optimistic 20% expect to receive financial aid from the Bank of Mum and Dad.

Industry data[2] shows millennials are right to be hopeful about home ownership – around 365,600 first-time buyers completed mortgages in the year to July 2018, borrowing a total of £59.9 billion. The average age of the first-time buyer during the year was 30, borrowing an average £145,000 on a gross household income of £42,000.

But pensions are feeling the strain. The research found around 21% say they have not started saving for retirement yet, while 15% say pension saving does not motivate them, and 12% believe pensions are irrelevant to millennials.

Focused on home ownership

Retirement can seem daunting for millennials and is, of course, a long way off when you are contending with student debts and high rents. However, it is crucial to start saving for your pension as early on as possible, putting away as much as you can each time.

It is easier if you start doing this as soon as you start working, so you get used to the money going straight into your pension pot. Many will, at least, be saving through the workplace, which is a good start, and contributions should be regularly reviewed to ensure a significant fund can be built up.

Not all millennials, however, are focused on home ownership. According to the survey, approximately 17% of under-35s say buying a house is a not a realistic option at present, while 11% say that saving for a house deposit is not a financial priority. And it is not just millennials, as the research shows that one in seven 35 to 54-year-olds have given up on the hope of ever owning a home. ■

Source data

[1] Consumer Intelligence conducted an independent online survey for Prudential between 20 and 21 June 2018 among 1,178 UK adults

[2] https://www.ukfinance.org.uk/house-purchase-activity-slows-in-june-but-remortgaging-activityremains-high/

DON'T LET SAVING BECOME A DAUNTING PROSPECT

Juggling buying a house with saving for retirement is no doubt a challenge, and it is inevitable that something may get dropped, which unfortunately appears to be retirement saving. However, it is important to start saving for your pension as early on as possible. To find out how we can help, please contact us – we look forward to hearing from you.

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