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ROBERT BRUCE

BACK TO THE FUTURE

Visualising what really matters to you is the key to the planning process

ISA RULES AND INHERITANCE TAX
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AVERTING A LATER-LIFE FINANCIAL CRISIS
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PROTECTING YOU AND YOUR FAMILY'S FINANCES
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We focus on achieving and maintaining a thorough understanding of your financial needs and aspirations.

We believe passionately that the best service is provided through personal, face-to-face advice. Our range of services is extensive, supported by a distinctive approach to investment management, enabling you to create financial plans that can adapt to your changing needs and circumstances.

CONTACT US TO DISCUSS YOUR REQUIREMENTS.

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INSIDE **THIS ISSUE**

Hello and welcome to our latest issue. The summer edition brings you an array of insightful articles covering everything you need to help plan your finances, both before, during and after retirement.

Have you ever thought about writing a letter to yourself to describe your ideal future life, long-term life goals and the process of how to plan for them? On page 06, we look at how imagining what you want your life to be like in the long term when you retire can help you think much further ahead than you might ever have done before.

If you have accumulated a number of Individual Savings Accounts (ISAs) over the years, keeping them all in one place could give you better control and help you save money. There's a common misconception that you can't move existing ISAs from one provider to another. Turn to page 05 to find out more.

At some point, you'll say 'goodbye' to your co-workers, get into your car and drive towards the next phase of your life – retirement. But when will that be? On page 08, we consider your move to retirement – it's one of the most important decisions you'll ever make, so it's not surprising that determining the date is harder than you may expect.

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

We hope you enjoy reading this edition, and if you would like to discuss or review any areas of your financial plans, please contact us. We very much look forward to hearing from you.

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INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS.

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

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

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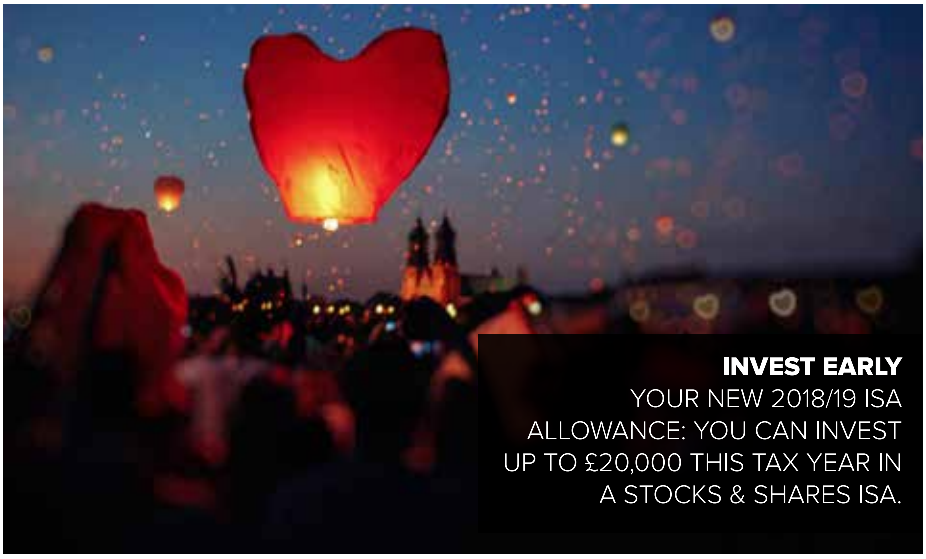
TRANSFERRING ISAs

Time to bring your investments together?

If you have accumulated a number of Individual Savings Accounts (ISAs) over the years, keeping them all in one place could give you better control and help you save money. There's a common misconception that you can't move your existing ISAs from one provider to another. Transferring your ISAs doesn't affect its tax-efficient status, but you should make sure that you don't have to pay penalties or give up valuable benefits.



If you want to switch from an existing ISA provider to a new one, you're perfectly within your rights to do so. Much like a mortgage, you shouldn't feel as though you're saddled forever with your first ISA provider choice. Transferring your ISAs could allow you to widen your range of investment choices, as the range on offer can differ between providers.

EASIER TO MONITOR AND MANAGE

Another reason to switch is that you could find you're better off because another provider is offering lower fees and charges. You may also want to move because you prefer to keep all your investments conveniently in one place, where they're easier to monitor and manage.

You can transfer your ISA from one provider to another at any time. You can also transfer from one type of ISA to a different type of ISA – for example, you can move money held in a Stocks & Shares ISA into a Cash ISA, or from a Cash ISA to a Stocks & Shares ISA. Similarly, money held in an Innovative Finance ISA can be transferred into a Stocks & Shares ISA or into a Cash ISA.

NOT ALL ISA PROVIDERS ACCEPT TRANSFERS

Remember that not all ISA providers will accept transfers. Also, bear in mind that the ISA provider you are moving from might charge you for the transfer. If you transfer cash from an existing ISA into a Lifetime ISA, it will count towards your £4,000 Lifetime ISA allowance for the year and qualify for the government bonus, but will not count towards your overall ISA allowance of £20,000 in 2018/19. It is not advisable to transfer from a Lifetime ISA.

Transferring your ISAs won't affect their tax-efficient status, provided you follow the correct process. You might think that to make a transfer from one ISA to another, you'll need to close down your existing account, make a withdrawal, then open up a new account and pay in. But closing down your current ISA means you'll immediately lose all the tax benefits, so never withdraw your savings to pay into a new ISA.

ADDITIONAL PERMITTED ISA ALLOWANCE

Instead, if you want to make a transfer, we'll contact your provider to inform them and manage the entire transfer process for you. Remember that tax rules can change in future, and their effect on you will depend on your individual circumstances.

If you are looking to transfer ISA tax benefits following the death of your spouse or registered civil partner, the survivor can now inherit their ISA tax benefits. This will be in the form of an additional permitted allowance equal to the value of the ISA at the holder's death and will be in addition to your own ISA allowance. ◀

LOOKING TO MAKE AN ISA TRANSFER?

We can make transferring existing ISAs simple and straightforward to help you reduce your administration and manage all of your investments in one place. Whether you're a novice or an experienced saver or investor, we'll help you get the most from your 2018/19 ISA allowance. Please contact us for more information.

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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.

BACK TO THE FUTURE

Visualising what really matters to you is the key to the planning process

Have you ever thought about writing a letter to yourself to describe your ideal future life, long-term life goals and the process of how to plan for them? Imagining what you want your life to be like in the long term when you retire can help you think much further ahead than you might ever have done before. Research conducted for a new campaign[1] shows that over half (54%) of people plan their lives only days (31%) or weeks (23%) ahead.

The participants were asked to look deep into their future lives in a bid to uncover what really matters to them. When asked to write a letter to describe their ideal future lives, people were very good at imagining it. But many didn't know how they were going to achieve it or how to take the next step to build a bridge from now to that future self by putting a plan in place to get there.

KEY WELL-BEING ASPIRATIONS

The writing exercise uncovered how people really envisage their life in the future. The letters illustrate that well-being in old age pivots on simple hopes (family, health and happiness) rather than extravagant financial ambitions. A well-balanced life was a key aspiration for many respondents. The letters confirm a clear hierarchy of needs and aspirations in life that many of us would have expected: family/partner, followed by career and financial security, followed by hobbies and interests, including friends.

While a handful of the respondents hope for lottery wins or gold medal glory, the overwhelming majority express their desire to remain healthy and active in old age and to live 'comfortably' with some degree of financial security. The letters revealed a nation aspiring to much more grounded ambitions: the centrality of family, a desire to travel to learn throughout life and to have fulfilling but balanced careers with a good work/life balance.

FAMILY, HEALTH AND HAPPINESS

It's not surprising that family, health and happiness are central pillars of people's well-being. What is surprising is how unprepared most people are to achieve the dreams they have described. The letters are wonderfully optimistic, but there is a reality check. The findings showed that people underestimate

IT'S NOT SURPRISING THAT FAMILY, HEALTH AND HAPPINESS ARE CENTRAL PILLARS OF PEOPLE'S WELL-BEING. WHAT IS SURPRISING IS HOW UNPREPARED MOST PEOPLE ARE TO ACHIEVE THE DREAMS THEY HAVE DESCRIBED.

their required size of pension pots by up to £550,000, while many people who have the capacity to save aren't doing so.

By using the letter as a catalyst, once you know what your goals are, the next step is to plan for them. To support the letter writing campaign, a study was also commissioned to gauge people's current well-being and life goals[2]. The survey indicates a fundamental disconnect between the life people aspire to and their life now.

PREVENTION BARRIERS IN EQUAL MEASURE

The study found over half (54%) of people plan their lives only days (31%) or weeks (23%) ahead. While 14% of respondents said they plan for years ahead, very few (4%) plan for future decades. This may explain why only 11% of UK adults with life goals know how they will achieve them.

When it comes to life goals for the future, travel is a primary ambition for over two in five people (44%), followed by eating well (40%), getting fit (39%), more time with friends and family (36%) and better work/life balance (20%). Money is the main thing (33%) preventing people from achieving their goals, then motivation (28%), followed by energy and time as barriers in equal measure (26%).

PATH TO FINANCIAL FREEDOM

When it comes to financial goals, one in five people (20%) have none whatsoever. Among those with goals in mind, the same percentage of people (20%) have not worked out a strategy and don't know how they will achieve their specific goals. The top financial goals are: save for a rainy day (43%); earn more money (32%); save for a special occasion (21%); reduce or clear debts (19%); and buy property and pay off mortgage (both 17%).

Your finances touch just about every aspect of your life. Your personal life and your financial life are not separate – they intertwine with each other. Your path to financial freedom means identifying and harnessing your dreams and bringing them alive. We can help you find an answer. Whatever stage of life you're at, we can guide you through the opportunities and challenges you face. ◀

START PLANNING DECADES AHEAD

We all want to fulfil our life plans, so the earlier you know where you want to get to, the better chance you have of getting there. Ideally, it's advisable to start planning decades ahead to map out the life you want for yourself and your family. The process of writing the letter should prompt that thinking and planning and hopefully that conversation with your partner and family. To discuss your situation or to arrange a meeting, please contact us – we look forward to hearing from you.

Source data:

[1] The Brewin Dolphin letter writing project asked 500 UK adults to write a letter to their future selves deep into old age – a letter their 'future self' may discover and read as they reflect back on life. Methodology: online survey completed by 500 economically active respondents aged 18–65. Fieldwork by Trajectory from 12–20 April 2018.

[2] The survey polled over 2,000 UK adults about their life now, their well-being and attitude to money, plus what they want in the future – personal and financial goals, and how they'll achieve them. Methodology: online survey was completed by 2,004 UK adults (18+). Fieldwork by Opinium from 11–14 May 2018.

DRIVING TOWARDS THE NEXT PHASE OF YOUR LIFE

Getting the date right can help you reach your destination sooner

At some point you'll say 'goodbye' to your co-workers, get into your car and drive towards the next phase of your life – retirement. But when will that be? The move to retirement is one of the most important decisions you'll make, so it's not surprising that determining the date is harder than you may ever expect.

SOME PEOPLE WILL HAVE SET THEIR RETIREMENT DATE WHEN THEY WERE IN THEIR 20S OR 30S, AND A GREAT DEAL WILL HAVE CHANGED SINCE THEN, INCLUDING THEIR STATE PENSION AGE AND PERHAPS THEIR CAREER PLANS.

However, most over-45s are not making plans to match their hopes for the future according to new research[1]. The vast majority (86%) of those aged 45 or over are already dreaming about escaping their working life for retirement, but only 8% of the same age group have recently checked the retirement date on their pension plans to make sure it is still in line with their plans. Over half (56%) don't have a clear idea of when they want to retire, and only one in ten (10%) have worked out how much income they'll need when they decide to stop working.

The study reveals that it doesn't get much clearer as you go up the generations. Less than a fifth (17%) of those aged between 55 and 64 have recently checked to see if the retirement date on their pension policy still fits in with their plans.

Some people will have set their retirement date when they were in their 20s or 30s, and a great deal will have changed since then, including their State Pension age and perhaps their career plans. It may seem like a finger-in-the-air guess when you're younger, but the date that you set for retirement on a pension plan does matter. It will often dictate how your money is being invested and the communications you receive as you get nearer to that date.

REASONS TO KEEP YOUR RETIREMENT PLANS UP TO DATE

RIGHT SUPPORT, RIGHT TIME

If the date you plan to retire changes or you simply want to take some of your pension without stopping working, it's important to tell your pension company provider. Otherwise you may not receive information and support about your pending retirement at the most helpful times, as they'll be basing this on your out-of-date plans.

DE-RISKING INVESTMENTS

Some investment options will start to move your pension savings into lower-risk investments as you get closer to retirement. If you don't have the right retirement date on your plan, you could be moving into these investments at the wrong time. For example, if you move into them too early, you could potentially miss out on investment returns that could increase the value of your pension savings. But if you move too late, you could be exposing your life savings to unnecessary risk.

INVESTMENT POT

The size of pension pot you need to build up to maintain your lifestyle when you come to retire will depend on when you plan to do so.

INCOME

If you're planning to buy an annuity at retirement, which will guarantee you an income for the rest of your life, the amount of income you'll get will depend on the size of your pot and annuity rates at that time. If you prefer to use your pension savings more flexibly, you can keep your money invested and take it as and when you require it. You're then responsible for making sure your life savings last as long as you need them to. ◀

TIME TO REVIEW YOUR RETIREMENT DATE?

Reviewing your retirement date regularly as you get older makes real sense, and most modern pension plans enable you to change and update this date whenever you choose. If you would like to make sure that you are still on track for a successful retirement, please contact us for a review – don't leave it to chance.

Source data:

[1] Research was carried out online for Standard Life by Opinium. Sample size was 2,001 adults. The figures have been weighted and are representative of all GB adults (aged 18+). Fieldwork was undertaken in November 2017.

PENSIONS ARE A LONG-TERM INVESTMENT.

THE RETIREMENT BENEFITS YOU RECEIVE FROM YOUR PENSION PLAN WILL DEPEND ON A NUMBER OF FACTORS INCLUDING THE VALUE OF YOUR PLAN WHEN YOU DECIDE TO TAKE YOUR BENEFITS, WHICH ISN'T GUARANTEED AND CAN GO DOWN AS WELL AS UP.

THE VALUE OF YOUR PLAN COULD FALL BELOW THE AMOUNT(S) PAID IN.

TO TRANSFER, OR NOT TO TRANSFER?

What to consider before making this big decision

More than 100,000 people transferred out of Defined Benefit (DB) pensions in 2017/18[1]. A DB pension scheme is one where the amount you're paid is based on how many years you've worked for your employer and the salary you've earned.

The figures show that a large number of people are still transferring out of traditional salary-related pensions, but whether this is a good idea or not depends crucially on your individual circumstances.

For many people, a guaranteed salary-related pension that lasts as long as you do, and is unaffected by the ups and downs of markets, is likely to be the best answer. But there will be some who want extra flexibility or are focused on passing on some of their pension wealth for whom a transfer might be the right answer. It is vital to take, and listen to, professional financial advice before making a big decision of this sort.

FIVE REASONS WHY A PENSION TRANSFER MIGHT BE SUITABLE

1. Flexibility – instead of taking a set pension on a set date, you have much more choice about how and when you take your pension. Many people are choosing to 'front load' their pensions, so that they have more money when they are more fit and able to travel, or to act as a bridge until their State Pension or other pension becomes payable.

2. Tax-free cash – some DB pension schemes may offer a poor deal if you want to convert part of your DB pension into a tax-free lump sum. Although the tax-free cash is in theory 25% of the value of the pension, you often lose more than 25% of your annual pension if you go for tax-free cash; in a Defined Contribution (DC) pension, you get exactly 25% of the pot as tax-free cash.

3. Inheritance – generous tax rules mean that if you leave behind money in a DC pension pot, it can be passed on with a favourable tax treatment, especially if you die before the age of 75. In a DB pension, while there may be a regular pension for a widow or widower, there is unlikely to be a lump sum inheritance to children.

4. Health – those who live the longest get the most out of a DB pension, but those who expect to have a shorter life expectancy might do better to transfer if this means there is a balance left in their pension fund when they die, which can be passed on. Please note that HM Revenue & Customs may challenge this for those who die within two years of a transfer.

5. Employer solvency – while most pensions will be paid in full, every year some sponsoring employers go bankrupt. If the DB pension scheme goes into the Pension Protection Fund (PPF), you could lose 10% if you are under pension age, and may get lower annual increases; if you have transferred out, you are not affected.

FIVE REASONS WHY A PENSION TRANSFER MIGHT NOT BE SUITABLE

1. Certainty – with a DB pension, you get a regular payment that lasts as long as you do; with a DC pot, you have to face 'longevity risk' (not knowing how long you will live).

2. Inflation – a DB pension has a measure of built-in protection against inflation, but with a DC pot you have to manage this risk yourself, which can be expensive.

3. Investment risk – with a DC pension, you have to handle the ups and downs of the stock market and other investments; with a DB scheme, you don't need to worry - it's the scheme's problem.

4. Provision for survivors – by law, DB pensions have to offer minimum level of pensions for widows/widowers, etc., whereas if you use a DC pension pot to buy an annuity, it dies with you unless you pay extra for a 'joint life' policy.

5. Tax – DB pensions are treated relatively favourably from the point of view of pension tax relief. Those with larger pensions could be under the lifetime limit (currently £1.03 milion) inside a DB scheme, but the same benefit could be above the limit if transferred into a DC arrangement. ◀

TIME FOR A PENSION REVIEW?

Before considering transferring your pensions, it's essential you receive impartial professional financial advice about your particular situation. We can help you do this. For a pension review, please contact us – don't leave it to chance.

Source data:

[1] An FOI request to the Pensions Regulator from Royal London showed that there were an estimated 100,000 transfers out of DB pensions in 2017/18, up from 80,000 in 2016/17. The average transfer was around £200,000, suggesting around £20 billion in total was transferred out in 2017/18.

PENSIONS ARE A LONG-TERM INVESTMENT.

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ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS.

ACCESSING PENSION BENEFITS IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

WHEN I'M GONE

How a simple list can help your loved ones after your death

Although it may not feel like it, your family finances are probably more precarious than you think. It's all well and good when the breadwinners are healthy and working, but if something unfortunate were to happen, the outlook for those around you could change instantly.

Research from Macmillan[1] highlights the worrying fact that two in three people living in Britain don't have a Will – including 42% of over-55s. Without an up-to-date Will, the law could supersede a person's final wishes and leave treasured possessions, money, property and even dependent children with someone they may not have chosen.

This news comes despite official guidance recommending that people review their Will every five years and after any major life changes[2], yet a quarter of Wills have not been updated for at least five years[3]. ◄

PROTECTING YOUR FAMILY

It's an old saying that you should look at protecting before investing, and they are wise words because it's more important to make sure that your family are covered against the financial impact of your premature death than it is to invest for an uncertain future. Please contact us for a review of your situation – we look forward to hearing from you.

Source data:

[1] Macmillan/Opinion Matters online survey of 2,000 UK adults. Fieldwork conducted 1–4 December 2017. Figures based on total population.

[2] Office for National Statistics. UK population mid-year estimate for adults aged 18 or over. Available from: https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland [Accessed 12 December 2017]

[3] https://www.gov.uk/make-will/updating-your-will

TOP FIVE THINGS TO DO TO HELP YOUR LOVED ONES AFTER YOU HAVE GONE:

1. WRITE A WILL

A Will ensures that the right people inherit from you, and while most of us know how important it is to have a Will and keep it up to date, many of us don't do it. The research shows that three in five adults (60%) don't have a Will, and a quarter (26%) of those are aged 55 and above. It's especially important for cohabitating couples to have a Will, as the surviving partner does not automatically inherit any estate or possessions left behind.

2. THINK ABOUT CARE OF CHILDREN

If you have children, it's important to decide on guardians, but three in five (58%) parents with children under 18 haven't chosen guardians should they die. Think about who you would want to step into this role, and ask them if they'd be happy to do so. Then make sure you appoint them as guardians in your Will.

3. WRITE A 'WHEN I'M GONE' LIST

More than one in ten (12%) adults admitted that it would be very difficult for anyone to handle their financial affairs after they died. Pulling together all your personal and financial information into one simple document can really help your loved ones when you're gone.

4. MAKE A PLAN TO PAY FOR YOUR FUNERAL

Research shows that the average cost of a funeral is around £3,800, with one in six people (16%) saying they struggled with the cost. Having a plan in place to pay for your funeral will mean your family won't have to find several thousand pounds at a difficult time.

5. HAVE A CONVERSATION WITH YOUR FAMILY

Having a conversation with your family about your wishes can remove a great deal of uncertainty for them in the event of your death. The research shows that of those who have had to arrange a funeral, two in five (41%) were not left any instructions from the deceased. Starting a conversation might include talking about your funeral wishes with your loved ones or showing them where your important documents are kept.

PROTECTING YOU AND YOUR FAMILY'S FINANCES

Top reasons people gave for not taking out protection

There are many things to consider when looking to protect you and your family. It may not be the most exciting of subjects, but it answers one of our most basic desires – to keep safe all that we hold dear.

The State of the Protection Nation report[1] reveals that the top reason people gave for not taking out protection was that they think premiums are too expensive (69%). They also believe they won't get ill and they don't need insurance. Despite this, many people want to protect their lifestyle and loved ones from the financial impact of dying or becoming seriously ill.

Nearly half of the people surveyed (46%) felt they were unlikely to go on sick leave for three months or more, 44% thought they were unlikely to have an accident that meant they were unable to work, and a third (34%) felt it was unlikely they would contract a serious health condition or illness. Research[2] shows that the chance of being off work for two months or more before age 65 is 26% for males and 37% for females.

Even if illness struck, nearly half (43%) felt they could manage for a year if they were unable to work due to serious illness or injury, 55% said they would manage for six months, and 71% would manage for three months. Yet the reality is that only two in five could survive financially for more than six months if they were unable to work.

INERTIA PLAYS A PART IN PEOPLE'S DECISION

Despite only a small percentage of consumers saying they had life insurance (3%), critical illness cover (3%) and income protection (5%) through their employer, the majority of people felt they didn't need income protection (58%), critical illness cover (47%) and life insurance (34%).

The results revealed inertia plays a part in people's decision not to buy, as 20% of full-time working people recognise they need income protection but don't have a policy. Over a third (38%) of people working full-time feel they don't need income protection, but just 8% said they didn't need it because they had cover with their employer.

LACK OF COVER IN LINE WITH PEOPLE'S NEEDS

The figures show that 58% of people with a mortgage have life cover in place if the home owner dies, leaving 42% unprotected. But worryingly, 71% of people with a mortgage would have no protection in place if they were diagnosed with a critical illness, and 81% of mortgage owners have no income protection in place. The reason this is concerning is that people are far more likely to be diagnosed with a critical illness or have an injury that stops them working than to die before retirement age, so more people should consider critical illness or income protection.

A quarter (25%) of people who don't own any life insurance, critical illness cover or income protection said they were confident that this lack of cover was in line with their needs. This figure doesn't get much better when we look at those in full-time employment (30 hours a week or more), with 27% saying they were confident. ◀

LIFE HAPPENS – LET'S TAKE CARE OF IT

We believe that receiving professional financial advice is vitally important. Life turns out a little differently for everyone, so the amount and type of protection cover you may need depends on your personal circumstances. Please contact us to review your situation.

Source data:

[1] Royal London's 'State of the Protection Nation' report conducted by Opinium. 2,005 UK adults aged 18+ were surveyed from 9–12 January 2018. Results have been weighted to nationally representative criteria.

[2] Source: Pacific Life Re, March 2018. These figures have been produced based on their interpretation of the Institute and Faculty of Actuaries' Continuous Mortality Investigation insured lives incidence rates together with their estimate view of future trends. Incidence rates for the entire population may be different to those lives that take out insurance products.

LIFE ASSURANCE PLANS TYPICALLY HAVE NO CASH IN VALUE AT ANY TIME, AND COVER WILL CEASE AT THE END OF THE TERM. IF PREMIUMS STOP, THEN COVER WILL LAPSE.

AVERTING A LATER-LIFE FINANCIAL CRISIS

More retirees drawing pensions without LPAs

People are generally living longer these days. Increasingly, more people are living well into their 80s and 90s – and some even longer. This may mean you have a long time to budget for. That's why it is very important to consider all of your options carefully and think about what will matter to you in retirement.

You can now access your pension in more ways than ever before, after the Government introduced wide-ranging changes in April 2015. These changes give you more options, so it's important that you take time to think carefully before you decide what to do with your money.

LATER-LIFE FINANCIAL CRISIS

Nearly 80% of retirees using the UK's pension freedoms to manage their retirement savings face a potential 'later-life financial crisis' as they have not set up a Lasting Power of Attorney (LPA), a recently published report[1] has warned. There are two types of LPA. These are the Health and Welfare Lasting Power of Attorney, and the Property and Financial Affairs Lasting Power of Attorney.

The research found that 345,265 pensioners accessing their pension pots in this way have not yet given a family member or friend the legal authority to make decisions on their behalf if they were no longer able to do so.

RESPONSIBILITY OF MANAGING INCOME

The analysis underscores the scale of an issue that has emerged since the Government abandoned the requirement to buy an annuity at retirement. It has come to light that twice as many people are now opting for drawdown over annuities. In effect, this puts the responsibility of managing income in retirement on the individual.

Registering an LPA has become even more important since the pension reforms. Thousands of people are now making complex decisions on their pension into old age, when the risk of developing a sudden illness or condition such as dementia increases. Despite this, many are unprepared for a sudden health shock or a decline in their mental abilities. The time to set up an LPA is well before you need it.

POTENTIALLY CREATING PROBLEMS

With more and more people moving into drawdown, this is potentially creating problems that could leave thousands of people facing a possible later-life financial crisis. It is vital to plan for a time when managing your pension might become hard, or even impossible, and obtaining professional financial advice is one of the best ways to do this.

THE ALZHEIMER'S SOCIETY HAS DISCOVERED THAT THERE ARE CURRENTLY 850,000 PEOPLE IN THE UK LIVING WITH DEMENTIA, WHICH COULD INCREASE TO OVER 1 MILLION BY 2025. YET THE REPORT REVEALED THAT ONLY 21% OF RETIREES WHO HAVE ACCESSED FUNDS UNDER THE NEW FREEDOMS HAVE REGISTERED AN LPA.

DISCUSSIONS WITH YOUR FAMILY OR OTHERS

An LPA can be a very important part of advance planning for a time when a person will not be able to make certain decisions for themselves. It allows you to choose someone you trust to make those decisions in your best interests. This can be reassuring, and making an LPA can start discussions with your family or others about what you want to happen in the future.

The stigma around the LPA, as with dementia, is compounded by its links to mental capacity. Some people are reluctant to consider a future where they may not be able to make their own decisions due to the connotations they associate with this. In cases where LPAs are not in place, assets and equity may be lost, or those in a vulnerable position may be forced to make decisions they are no longer able to cope with. ◀

DO YOU NEED HELP? GIVE US A CALL

Whatever your plans for the future, we are here to help you take the next step. Please contact us to discuss your requirements or to answer any questions you may have.

Source data:

[1] The study for Zurich UK is based on a YouGov survey of a UK sample of 742 people who have moved into drawdown since the pension freedoms were introduced in April 2015. The survey was carried out between 14 December 2017 and 24 January 2018.

FCA Data Bulletin (issue 12) shows 345,265 pots moved into income drawdown between October 2015 and October 2017. Assuming the number of people moving into drawdown continued at a similar rate from November 2017 to April 2018, this would equate to a further 86,316 people in drawdown. 345,265 + 86,316 / 5 x 4 = 345,265 people.

345,265 / 2 years of drawdown data = 172,632 x 10 years = 1,726,325 people.

PENSIONS ARE A LONG-TERM INVESTMENT.

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ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS.

ACCESSING PENSION BENEFITS IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

PENSIONER DEBT

Worrying increase on last year's figure

TOTAL DEBT HAD INCREASED ON LAST YEAR'S FIGURE OF £78 BILLION, AS BORROWING GREW £35 BILLION IN JUST THREE YEARS. THE RESEARCH FORECAST THAT ALL TYPES OF SECURED AND UNSECURED DEBT TO RETIREES WOULD EXCEED £142 BILLION BY 2027.

The over-65s in the UK are expected to owe around £86 billion by the end of 2018, according to latest figures from the Centre for Economics and Business Research (CEBR) and More 2 Life. Total debt had increased on last year's figure of £78 billion, as borrowing grew £35 billion in just three years. The research forecast that all types of secured and unsecured debt to retirees would exceed £142 billion by 2027.

When conducting the research, CEBR took borrowing including mortgages, credit cards, overdrafts, loans, car finance, hire purchase, student loans, payday loans and store cards into consideration.

Researchers have suggested that this increased level of debt is down to a number of factors, including this generation's use of interest-only mortgages, current borrowing trends and relatively modest pension savings.

University of Birmingham's college of social sciences Louise Overton said: 'Worryingly, this report indicates that a significant minority are carrying secured and unsecured debt to help manage cash flow problems and make ends meet.'

Dave Harris, chief executive officer at More 2 Life, said the rapid increase in the retirement lending market 'will only be exacerbated by an ageing population, people buying houses at a much later stage, and shrinking pension pots resulting in low retirement incomes.'

He added: 'For growing numbers of people aged 65 and over, financial products that draw on the resource of housing wealth may well turn out to be the optimal way for them to solve the financial challenges they and their families have to face in future.' ◀

LOOKING FOR AN EXPERT, FLEXIBLE APPROACH TO MANAGING YOUR WEALTH?

Trust, tax and insurance solutions to ensure your financial goals can be achieved.

Whether your wealth comes from building a business, successful investments or family inheritance, robust family and estate planning is essential for protecting your wealth. We'll work to understand your requirements and bring them together as part of a coordinated financial approach.

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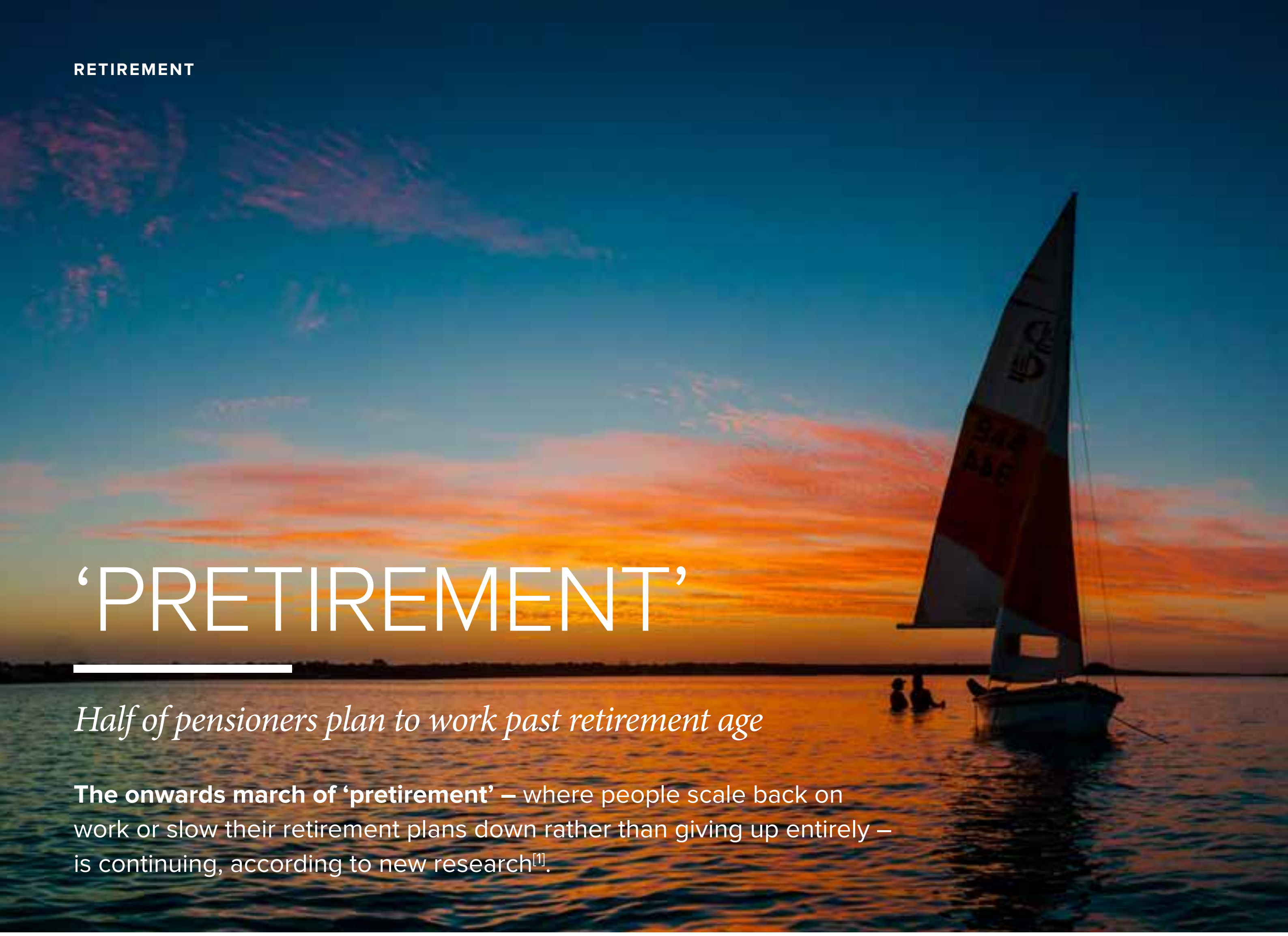

‘PRETIREMENT’

Half of pensioners plan to work past retirement age

The onwards march of ‘pretirement’ – where people scale back on work or slow their retirement plans down rather than giving up entirely – is continuing, according to new research[1].

A recent study found half (50%) of those retiring during 2018 are considering working past State Pension age. This is the sixth consecutive year where half of people retiring would be happy to keep working if it meant guaranteeing a higher retirement income.

COST OF DAY-TO-DAY LIVING CONCERNS

More than a quarter (26%) of those planning to delay their retirement would like to reduce their hours and go part-time with their current employer, one in seven (14%) would like to continue full-time in their current role. An entrepreneurial fifth (19%) would try to earn a living from a hobby or start their own business.

The research shows that many people expect their retirement to last an average of 20 years. Around one in 12 (8%) of those scheduled to retire this year have postponed their plans because they cannot afford to retire. Nearly half (47%) of those who cannot afford to retire put this down to the cost of day-to-day living which means their retirement income won’t be sufficient.

KEEPING MIND AND BODY ACTIVE AND HEALTHY

The research also found that the decision to put off retirement isn’t always a financial one. Over half (54%) of those surveyed who are already or are considering working past their State Pension age say it is to keep their mind and body active and healthy. Over two fifths (43%) admit they simply enjoy working, while just over a quarter (26%) don’t like the idea of being at home all the time.

The shift to pretirement in recent years shows that many people reaching State Pension age aren’t ready to stop working. Reducing hours, earning money from a hobby or changing jobs are all ways to wind down from working life gradually and for many to avoid boredom and maintain an active mind and body.

FINANCIALLY WELL PREPARED FOR RETIREMENT

However, not everyone has the luxury of choosing their retirement date due to their financial situation not allowing them to give up work and others may be forced to stop working for health reasons. Saving as much as possible as early as possible in their career is the best way for people to ensure they are financially well prepared for a retirement that starts when they wish, or need, it to.

As people are increasingly treating retirement as a gradual process, obtaining professional financial advice can help to make sure that your retirement finances are sufficient to allow you as many options as possible. ◀

HELPING YOU PLAN FOR A LONGER LIFE

To keep yourself and your finances in good shape, start planning today. We can help create a clear picture of what you need, so that the best is yet to come. Contact us today to arrange an appointment.

Source data:

[1] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.

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TAKING EARLY RETIREMENT

Making the most of the next chapter in life

With increasing numbers now working past traditional retirement ages[1], stopping work can seem a long way off, especially for younger people. However, new research[2] reveals that the early retirement dream lives on. Nearly two thirds (60%) of those stopping work this year are doing so before their expected State Pension age or company pension retirement date.

The study which tracked the finances and aspirations of those planning to retire during the year ahead also found that those planning on retiring early could be facing a considerable reduction on their annual retirement income to the value of £3,394. The average expected retirement income, inclusive of savings and State Pension, for those retiring early is £18,567, compared to £21,961 for those not retiring early.

FOR MANY PEOPLE STOPPING WORK EARLY, IT IS NOT ABOUT PLANNING TO PUT THEIR FEET UP. THEY WANT TO KEEP BUSY AND ACTIVE BY TAKING UP HOBBIES, SPORTS AND CHARITY WORK, AND SOME ARE EVEN PLANNING A POST-WORK GAP YEAR.

PLANNING TO ESCAPE THE DAILY GRIND

It appears that those planning to escape the daily grind early feel the most comfortable when it comes to their financial situation in retirement – with over half (56%) saying they feel financially well prepared compared with 49% of those working towards their expected retirement date. That's reflected in the numbers taking professional financial advice – 68% of early retirees are seeking advice compared with 60% of those working until their projected retirement age.

The average age of those retiring early is 57, and early retirees will be making the most of their free time – over a third (37%) plan to take up a new hobby or sport, 27% will start voluntary or charity work and nearly a fifth (17%) are planning a long-term holiday or gap year.

VITAL FOR FUNDING OUR WHOLE RETIREMENT

For many people stopping work early, it is not about planning to put their feet up. They want to keep busy and active by taking up hobbies, sports and charity work, and some are even planning a post-work gap year. With many of us set to live longer than ever before, it is vital to ensure we can fund our whole retirement.

The East Midlands is the early retirement capital of the UK with 72% of its retirees retiring early, closely followed by Wales (69%) and Yorkshire and the Humber (67%). ◀

TIME TO THINK ABOUT YOUR RETIREMENT?

Many people often don't think about retirement until they are nearing the end of their working life. It's never too early – or too late – to think about your retirement. To talk to us about your plans, please contact us.

Source data:

[1] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemploy eetypes/articles/fivefactsaboutolderpeopleatwork/2016-10-01

[2] Research Plus conducted an independent online survey for Prudential between 29 November and 11 December 2017 among 9,896 non-retired UK adults aged 45+, including 1,000 planning to retire in 2018.

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PENSION PARALYSIS

Saving not found to be a financial priority for UK workers

AS THE YOUNGER GENERATIONS ARE SET TO BE IN WORK LONGER THAN THEIR PREDECESSORS, STARTING TO SAVE FROM AN EARLY AGE IS EXTREMELY BENEFICIAL.

Worryingly, pension inertia is rife across the UK with many Britons failing to make saving for their old age a priority as they fall into a short-term saving trap. Saving for retirement is not looked upon as a priority until workers reach their 40s and 50s, according to new research involving a survey of 2,824 employees at medium and large private sector companies in the UK conducted by LifeSight, Willis Towers Watson's UK DC master trust.

Instead, leisure and general household costs come up on top, with retirement saving ranked to be the seventh most important financial concern for employees in the UK. Additionally, the number of workers with financial concerns has jumped to 52% from the lower percentage of 46% in 2015, while retirement confidence 15 years after finishing work has fallen from 61% to 55% during that time.

IMPORTANCE OF RETIREMENT SAVINGS

As the younger generations are set to be in work longer than their predecessors, starting to save from an early age is extremely beneficial. For millennials especially, short-term goals are much more important than long-term savings, and so employers have the added difficulty of communicating the importance of retirement savings to them.

However, even with the ranking falling low on list of priorities, it was found that 67% of British workers consider retirement security important, a percentage found to be greater than that of the last two or three years.

INCREASED PRESSURE ON EMPLOYERS

It was also found that 69% save for retirement primarily through workplace pensions. The UK Government expects one million people to opt-out of workplace pension auto-enrolment in 2019. This means 27.5% of members opting out of auto enrolment by 2019, which would be a rise from 21.7% in 2018 and an estimated 10% today – totalling to 13 million people expected to be outside pension saving by then.

The research clearly indicates that employees are looking for their employers to take the lead with their retirement savings, using their workplace pension as their main means of saving. Even though this adds increased pressure on employers, making sure they are communicating effectively with their employees about the options available to them and the importance of long-term savings is a must. ◀

EVER WONDERED IF YOU'RE ON TRACK FOR A COMFORTABLE RETIREMENT?

Whether you're just starting to save for retirement, thinking about how to take money out of your pension or how to make your income last, please contact us.

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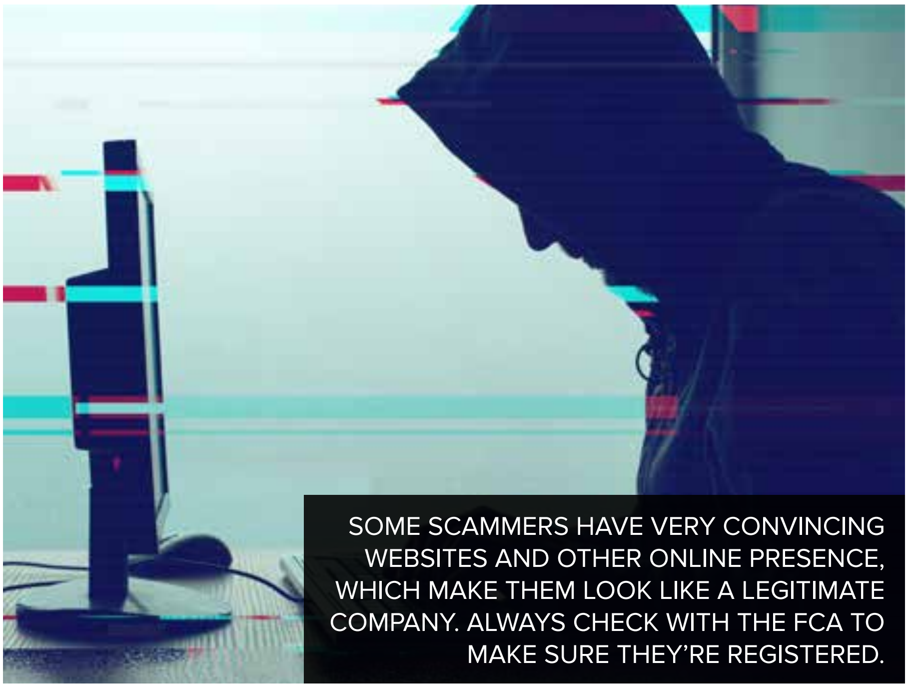
PROTECTING YOURSELF FROM SCAMS

Fraudsters are using sophisticated ways to part savers from their money



SOME SCAMMERS HAVE VERY CONVINCING WEBSITES AND OTHER ONLINE PRESENCE, WHICH MAKE THEM LOOK LIKE A LEGITIMATE COMPANY. ALWAYS CHECK WITH THE FCA TO MAKE SURE THEY'RE REGISTERED.

Pension and investment scams are on the increase in the UK. Everyday fraudsters are using sophisticated ways to part savers from their money, and the Internet and advances in digital communications mean these kinds of scams are getting more common and harder to identify. A lifetime's savings can be lost in moments.

Nearly one in ten over-55s fear they have been targeted by suspected scammers since the launch of Pension Freedoms, new research[1] shows.

TACTICS COMMONLY USED TO DEFRAUD

The study found 9% of over-55s say they have been approached about their pension funds by people they now believe to be scammers since the rules came into effect from April 2015. Offers to unlock or transfer funds are tactics commonly used to defraud people of their retirement savings.

One in three (33%) of over-55s say the risk of being defrauded of their savings is a major concern following pension freedoms. However, nearly half (49%) of those approached say they did not report their concerns because they did not know how to or were unaware of who they could report the scammers to.

REPORTING SUSPECTED SCAMMERS TO AUTHORITIES

Most recent pension fraud data[2] from Action Fraud, the national fraud and cybercrime reporting service, shows 991 cases have been reported since the launch of pension freedoms involving losses of more than £22.687 million.

ALTERNATIVE INVESTMENTS SUCH AS WINE OFFERED

The research found fewer than one in five (18%) of those approached by suspected scammers had reported their fears to authorities. Nearly half (47%) said the approaches involved offers to unlock pension funds or access money early, and 44% said they involved transferring pensions.

About 28% of those targeted by suspected fraudsters were offered alternative investments such as wine, and 20% say they were offered overseas investments, while 13% say scammers had suggested investing in crypto-currencies. Around 6% believe they have been victims of frauds.

SAFEGUARDING HARD-EARNED RETIREMENT SAVINGS

Pension freedoms, though enormously popular with consumers, have created a potentially lucrative opportunity for fraudsters, and people need to be vigilant to safeguard their hard-earned retirement savings.

If it sounds too good to be true, then it usually is, and people should be sceptical of investments that are offering unusually high rates of return or which invest in unorthodox products which may be difficult to understand. If in any doubt, seeking professional financial advice from a regulated adviser will help ensure you don't get caught out.

Some scammers have very convincing websites and other online presence, which make them look like a legitimate company. Always check with the FCA to make sure they're registered. ◀

REPORTING SUSPECTED FRAUDS

Retirement savers can report suspected frauds on the ActionFraud helpline 0300 123 1047 or online at https://www.actionfraud.police.uk/report_fraud, and more advice is available at http://www.thepensionsregulator.gov.uk/pension-scams.aspx or by calling the Pensions Advisory Service on 0300 123 1047.

Source data:

[1] Consumer Intelligence conducted an independent online survey for Prudential between 23 and 25 February 2018 among 1,000 UK adults aged 55+ including those who are working and retired

[2] https://www.actionfraud.police.uk/fraud-az-pension-liberation-scam

RETIREMENT SAVINGS LEAP

But one in five young people still saving nothing

The number of under-30s saving enough for retirement has risen sharply by 9%[1]. As the success of auto enrolment continues, two in five UK workers (39%) aged 22–29 years old are now saving adequately for retirement, up from 30% last year. Despite this, more than one in five young people (21%) are still saving nothing for later life, with a further 20% saving seriously less than 12% of their income.

The research also shows that nearly two million 'multi-jobbers' – people with more than one job – are missing out on over £90 million a year in employer contributions because of the policy on auto enrolment thresholds. Multi-jobbers, who are often working full-time hours, are unfairly missing out on pension contributions for their overall earnings due to their income being split across different employers, thus falling foul of minimum earnings threshold for enrolment.

AUTO ENROLMENT PLAYING A REALLY IMPORTANT PART

Projections using the latest ONS figures show that 1,831,127 multi-jobbers have at least one job that earns under £10,000 and is not enrolled in the company's pension scheme. Based on the average salary from these jobs, collectively over £90 million of employer contributions a year could be claimed if the auto enrolment threshold was scrapped.

It's encouraging that more young people are saving enough for a decent retirement, and auto enrolment has played a really important part. However, auto enrolment was designed as a safety net for a country facing a pensions crisis. This year's study shows some of the hardest working and most financially vulnerable members of society are slipping through the auto enrolment net because of minimum earnings thresholds. This unfairly impacts multi-jobbers, who could be working the equivalent of full-time hours, yet without the financial benefit of having a single employer.

RENEWED EFFORT TO IMPROVE THE READINESS FOR RETIREMENT

Meanwhile, savings levels have stagnated across the rest of the working population. At 55%, the proportion of UK workers saving adequately for retirement has dropped slightly for the first time since 2013, falling from 56%, the prevailing rate for the last few years.

Despite adequate savings rates having risen by 10% since auto enrolment was introduced in 2012, the stall in recent years demonstrates that a renewed effort is needed to improve the nation's readiness for retirement. ◀

WHAT DOES RETIREMENT MEAN TO YOU?

From stopping work altogether to a slow and gradual reduction of commitments, retirement means different things to different people. Make sure you can sustain the level of income you need to move in to a happy retirement. To talk to us about your plans, please contact us.

Source data:

[1] 14th annual Scottish Widows Retirement Report – research looked at this age range because 22 is the age at which workers become auto-enrolled – Scottish Widows deems adequate retirement savings as a minimum of 12% of an individual's income. 'Seriously under-saving' refers to saving 0–6% of income.

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GENERATION GAME

Long-term saving could yield a £1m retirement pot for some millennials

The millennial generation don't just spend their hard earned savings on smashed avocado and flat whites, but they do have a different attitude to money than older generations. In fact, some young people today or in future generations could accumulate a pension pot as high as £1 million[1] when they come to retire through a combination of higher earnings, a generous workplace pension and several decades of saving, according to new research.

The study was carried out in conjunction with the Pensions Policy Institute to look at what level of retirement pots younger and future generations could expect, based upon the current and proposed model for automatic enrolment. A 22-year-old median earner (peak earnings of circa £30,000 at age 40) in 2017 may be able to build up a pension pot of £108,000 with minimum scheme contributions levels. Those with higher earnings and in a more generous workplace scheme could build up a substantially bigger sum.

REDUCING THE AGE LIMIT

The study also found that changes proposed in the Department for Work & Pensions' Automatic Enrolment Review, including reducing the age limit and removing the lower limit of eligible salary, could lead to a 32% increase in fund size for a median earner who starts saving at age 18.

The impact of the introduction of automatic enrolment on future generations focused on young people who were aged 22–35 by the end of 2017 – i.e. those who entered the workforce during the initial implementation of auto enrolment in October 2012 and the first generation likely to spend their entire working life in pension schemes into which they were auto enrolled.

Automatic enrolment has almost doubled the participation of 22-29-year-olds saving into pensions, according to the research.

Using four hypothetical individuals in the younger age group with different salary circumstances, the research shows how:

- Stopping saving – even close to retirement – can significantly damage retirement outcomes
- A wide range of possible pension pot values can result, depending on the quality of the workplace scheme and the level of contributions made by employer and employee
- The triple lock has a proportionally larger impact on lower-earning millennials than higher earners

IMPROVING FINANCIAL FUTURES

The research demonstrates that bringing people into savings at a younger age and increasing the contributions made can significantly improve their financial futures. Now that nearly 10 million people have been auto enrolled into a workplace pension, we've moved to a stage where it's time for savers to think about what they'll get back at retirement and consider any additional steps they may want to take along the way to build up their life savings.

Millennials are likely to be the first generation to benefit fully from the introduction of automatic enrolment, with the opportunity to have an employer contribution and government contribution paid into a workplace pension scheme throughout their working life. This means that automatic enrolment has the potential to make a significant difference to later life for millennials, providing more options and a more secure foundation for funding retirement. ◀

HELPING TO SECURE YOUR FINANCIAL FUTURE

Creating and maintaining the right investment strategy plays a vital role in helping to secure your financial future. We can provide the quality advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals – for more information, please contact us.

Source data:

[1] Based upon an example of a female saving from 18 to State Pension Age into a workplace pension contributing 16% of total earnings, deemed to be a 90th percentile earner (peak earnings of circa £49,000 at age 40). All figures in the research are in 2017 earnings terms.

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FINANCIAL ADVICE IS OUR BUSINESS.

We're passionate about making sure your finances are in good shape.

Our range of financial planning services is extensive, covering areas from pensions to inheritance matters and tax-efficient investments.

CONTACT US TO DISCUSS YOUR REQUIREMENTS. OUR DETAILS APPEAR ON THE FRONT COVER.

DO YOU HAVE PROTECTION IF THE WORST SHOULD HAPPEN?

Nine in ten Britons are in danger of financial hardship – so what cover do you need?

Britons are woefully under-protected should serious illness strike, according to new research[1]. Despite more than a fifth (21%) of people admitting their household wouldn't survive financially if they lost their income due to long-term illness, fewer than one in ten (9%) have a critical illness policy. People are, in fact, more likely to insure their mobile phones (12%) than to protect their own health.

WHEN ASKED WHY THEY HAVEN'T TAKEN OUT LIFE OR CRITICAL ILLNESS INSURANCE, ALMOST A THIRD (30%) OF THE UK'S PRIMARY BREADWINNERS SAY THEY DON'T SEE THE NEED FOR COVER, RAISING CONCERNS OVER THEIR FINANCIAL RESILIENCE SHOULD THE UNEXPECTED HAPPEN.

Taking out life insurance also appears to be falling down the population's priority list, with just 27% having a life policy, equivalent to 14 million people. Worryingly, this has dropped by 7 percentage points compared with 2017, a year-on-year decrease of 3.6 million individuals.[2]

PRECARIOUS POSITION

This is an especially precarious position for the two fifths (42%) of UK households that are reliant on just one income, and it's clear that many are in lack of a 'Plan B'. Despite 43% of people saying they'd rely on their savings if they or their partner were ill and unable to work, a third (35%) admit their savings would last no more than three months if unable to work, and more than half (54%) say they'd last no longer than a year. Three in ten (30%) – or 15.5 million people [3] – say they aren't saving anything at all.

One in five (19%) say they'd rely on state benefits if they or their partner were unable to work for six months, but at a time when welfare reform is resulting in significant changes to benefits such as child and working tax credits, income-based job seeker's allowance, income support, housing benefits, and bereavement benefits.

FAMILIES UNPREPARED

On top of this, some people are leaving themselves and their families unprepared for other aspects of illness or bereavement. One in five (20%) people aren't sure who would take care of them if they fell ill, and nearly half (48%) don't have the protection of a Will, power of attorney, guardianship or trust arrangement in place for their families.

When asked why they haven't taken out life or critical illness insurance, almost a third (30%) of the UK's primary breadwinners say they don't see the need for cover, raising concerns over their financial resilience should the unexpected happen.

UK'S PROTECTION GAP

The research also reveals that a lack of trust and understanding could be contributing to the UK's protection gap. On average, people think that just a third (34%) of individual protection claims are paid out by insurance providers each year, based on the misconception that insurers will do anything not to pay. In reality, however, virtually all protection insurance claims (97.8%) were paid in 2017.[4] In addition, almost four-fifths (78%) of people are unaware that cover often comes with practical advice and emotional care, as well as financial support, without having to make a claim.

It's a worrying truth that people are more likely to insure their mobile phones than their own health. On a societal level, we increasingly think in the short-term, caring more about tangible things in our day-to-day lives. On a more fundamental level, we're programmed not to think about the worst happening. Together, these are dangerous inclinations, as people aren't thinking about insuring their health or life until it's too late. ◀

IMPROVING YOUR FAMILIES' FINANCIAL SECURITY

Insurance can play an important role in improving your families' financial security, to help them if you were to die prematurely or were unable to support them due to being unable to work. To discuss your situation or to arrange a meeting please contact us.

Source data:

[1] 2017 ONS data shows there are 51,767,000 adults in the UK. 27% of people have a life insurance policy in 2018, amounting to 13,977,090 people. 34% of people had life insurance in 2017, totalling 17,600,780 people.

[2] This amounts for a difference of 3,623,690.

[3] 2017 ONS data shows there are 51,767,000 adults in the UK. 30% of people say they aren't saving at all – amounting to 15,530,100 people.

[4] Association of British Insurers (ABI) and Group Risk Development (GRiD), April 2018

All figures, unless otherwise stated, are from Opinium Research. The survey was conducted online between 5th and 12th April, 2018, with a sample of 5,022 nationally representative UK adults.

EYES WIDE SHUT

Do you know the value of your pension savings?

With people living longer than ever before, we all need to save more. But because there's always something more urgent to pay or save for, it's something that many of us rarely think about.

Almost three quarters (73%) of people aged 45 or over are longing for the day when their life is no longer confined by their working routine, according to new research[1]. Yet despite an eagerness to retire, the research shows that almost half (46%) of over-45s with a pension have no idea how much it is currently worth and that more women (52%) than men (41%) don't know the value of their own pension savings. A fifth (19%) of those aged 45-plus don't have a pension in place yet.

HOPING FOR A SHIFT IN LIFESTYLE

Two thirds of those aged 45-plus (67%) are hoping for a shift in lifestyle, keen to retire early before the State Pension age kicks in. But only one in ten of them (12%) has proactively increased how much they are investing in their pension when they've been able to in order to help make this happen.

Once people reach the age of 55 (age 57 from 2028), they can benefit from pension freedoms which allow them to start withdrawing money from their pension savings if they need to. It's a point at which some key decisions can be made, and the importance of knowing the value of their pension should come sharply into focus. But even among this group of people aged 55–64, some 45% still have their eyes shut and don't know what their pension savings are worth.

LIFE AFTER WORK IN THE FUTURE

Retirement is changing, and life after work in the future will not look the same as it did for our parents or their parents. But while many of us might dream of what we're going to do when we retire and when that might be, without a plan in place, these dreams are likely to stay just that.

Once you stop working, it's more difficult to boost your savings than it is when you're still working. So I would urge everyone to really understand how they are progressing and make plans for building up their life savings while they are best placed to make a real difference. Almost all employers now have workplace pensions which include an employer contribution, so that may well be a good place to start. ◀

HOW DO YOU WANT TO SAVE AND INVEST?

Saving and investing can help you reach your financial goals. We can help you build the future you've always imagined. To discuss the options that could be right for you, please contact us.

Source data:

[1] The research was carried out online for Standard Life by Opinuium. Sample size was 2001 adults. The figures have been weighted and are representative of all GB adults (aged 18+). Fieldwork was undertaken in November 2017.

INVESTMENT CHOICES

Which is the right approach for you?

The world of investing can seem daunting. Whatever stage of life you're at, we'll guide you through the appropriate investment opportunities available to you. Every investor needs to ask themselves the same basic questions before getting started.

You'll need to know what your goals are, how long you expect to invest, how much money you are able to invest and how comfortable you are taking risks. You'll invest differently for a goal that's five years away than for one that's 20 years into the future, as a longer time-horizon should allow you to take on more risk – provided you are comfortable doing so.

TAKE INTO ACCOUNT INFLATION

The cost of living will rise over the years so, if you're investing for the long term, you need to also take into account a realistic rate of inflation for every year you invest. There's no point in getting to retirement age to discover your spending power has been reduced due to this oversight, so make sure you factor in inflation when working out your investment returns strategy.

If you're investing for a shorter-term goal, you may well want to take a cautious approach, because losses can be harder to recover. Thinking about how much financial risk you are comfortable exposing yourself to is vital.

DIFFERENT TYPES OF INVESTMENTS

Asset allocation is all about deciding how much of your money you choose to put into different types of investments. The main types of assets people rely on for investing are shares, bonds, cash and commercial property – many investors prefer to invest in these via funds too, as their cash is then spread across a basket of each. By investing across a broad range of assets, it helps you to diversify your risk, as you are not relying on the success of one single investment.

How you allocate across these assets will be largely down to not only what you want to achieve, but also how long your investment time horizon is. If you're comfortable with more risk and you want a greater chance of stronger growth, you might allocate more money into shares. But if you are looking for more consistent returns, then government and corporate bonds could be the way to go.

SPREADING YOUR RISK EVEN FURTHER

Always remember the golden rule of investing though, which is the greater the potential returns, the bigger the risk. But by combining both investment types, you'll be spreading your risk even further. Many investors keep a proportion of their portfolio in cash. This provides the necessary 'liquidity' to minimise risk as much as possible and can be used to buy assets if a good opportunity arises.

In order to decide which investments to focus on, you need to decide whether you are primarily looking for capital growth from your investments, an income, or a combination of the two.

INVESTMENT OPTIONS AND STRATEGIES

How involved you want to be in choosing your investments depends on how much experience you have and the kinds of decisions you're comfortable making. Some people like to choose the investments that make up their portfolio themselves. Others prefer to invest through funds. Funds offer an easy way to build a diversified portfolio and, depending on how they're managed, they can be cost-effective, too.

Or you might prefer to explore your investment options and strategies. You could opt for a multi-asset fund, which is run by a portfolio manager who invests across a variety of investment assets, including shares, bonds and property as well as cash. But whichever route you take always ensure you understand what you are investing in and the associated risks.

REMEMBER TO KEEP TO YOUR PLAN

One of the key things to remember is to keep to your plan. This goes back to working out what you need and want from your investments. You'll want to keep an eye on things over time, adjusting your asset allocation to make sure the portfolio stays on track to meet your goals and within your risk parameters. It's also important to remember that movement in the markets is normal and it can be harmful to switch your investments too much, as well as costly.

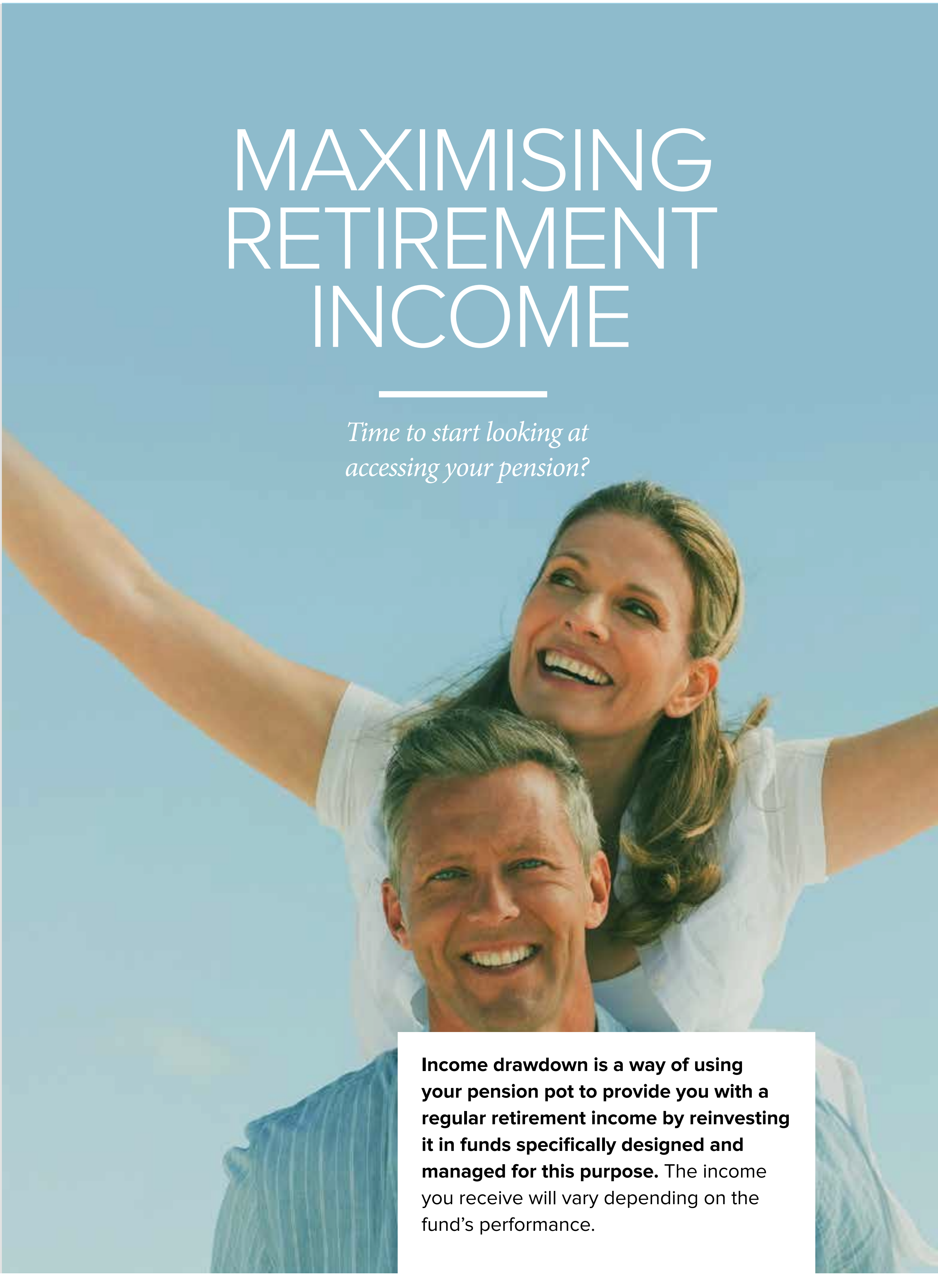
Any investment carries risk and there's always the chance that you could get back less than the sum you invest. But leaving your money to grow in the long term means there's more chance of recovering any losses along the way. ◀

NEED HELP? HAVE QUESTIONS?
If you're looking for further information or want to chat about your investment options, we can help. Please contact us.

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.



MAXIMISING RETIREMENT INCOME

Time to start looking at accessing your pension?

Income drawdown is a way of using your pension pot to provide you with a regular retirement income by reinvesting it in funds specifically designed and managed for this purpose. The income you receive will vary depending on the fund's performance.

However, worryingly a third of people using income drawdown (32%) to fund their retirement have no investment experience, yet two in five (41%) of these have not received either financial advice or guidance, according to new research[1].

TAKING ADVANTAGE OF NEW PENSION FREEDOMS

Almost half a million (431,581)[2] people are taking advantage of new pension freedoms to draw down their retirement savings, yet the highest proportion have never actively invested in the stock market. Despite being first-time investors, tens of thousands have not sought regulated financial advice or guidance, even though they have an average drawdown pot of £153,000.

You can normally choose to withdraw up to 25% of your pension pot as a tax-free lump sum. The rest is moved into one or more funds that allow you to take an income at times to suit you.

Some people use it to take a regular income. The income you receive might be adjusted periodically depending on the performance of your investments.

- Flexi-access drawdown – introduced from April 2015, where there is no limit on how much income you can choose to take from your drawdown funds.
- Capped drawdown – only available before 6 April 2015 and has limits on the income you can take out; if you are already in capped drawdown, there are new rules about tax relief on future pension savings if you exceed your income cap.

LACK OF PROFESSIONAL FINANCIAL ADVICE

The study warns that a lack of professional financial advice and guidance could leave retirees at risk of running out of money in retirement. Poor decisions in drawdown can lead to consumers taking on too much risk, missing investment growth or making unsustainably high withdrawals. Women in particular were more likely to be first-time investors, potentially putting them at greater financial risk (41% vs 29%).

Findings highlight a 'first-time investor gap' is being driven by a lack of consumer understanding of drawdown, with almost half of novice investors who had not received advice saying they thought drawdown would be simple (47%). A further third (29%) claimed they were confident in their investment decisions, despite having no previous experience of actively investing.

NAVIGATING THE COMPLEXITIES OF DRAWDOWN

The research also reveals that one in ten (10%) UK adults not getting advice rely on search engines to help them navigate the complexities of drawdown, while one in five (20%) look at newspapers and magazines. Pension firms were the leading source of guidance for a third (35%) of consumers. Worryingly, though, 44% of all those in drawdown confessed there is nothing that would prompt them to get professional financial advice or guidance.

Some drawdown providers might offer retirement income products that combine income drawdown with other features that might offer guarantees about income and/or growth.

Income drawdown products are complex. Remember that you don't have to take income drawdown from your current pension provider. You should shop around. ◀

COULD INCOME DRAWDOWN BE THE RIGHT CHOICE FOR ME?

Income drawdown is a flexible way to take money from your pension pot. Normally, you need to be at least 55. But before committing to any pension drawdown option, you should always obtain professional financial advice. We take the time to understand your personal circumstances, goals and levels of risk you are willing to take – please contact us.

Source data:

[1] Study carried out for Zurich UK based on a YouGov survey of a UK sample of 742 people who have moved into drawdown since the pension freedoms were introduced in April 2015. The survey was carried out between 14 December 2017 and 24 January 2018.

[2] FCA Data Bulletin (issue 12) shows 345,265 pots moved into income drawdown between October 2015 and October 2017. Assuming the number of people moving into drawdown continued at a similar rate from November 2017 to April 2018, this would equate to a further 86,316 people in drawdown. 345,265 + 86,316 = 431,581

PENSIONS ARE A LONG-TERM INVESTMENT.

THE RETIREMENT BENEFITS YOU RECEIVE FROM YOUR PENSION PLAN WILL DEPEND ON A NUMBER OF FACTORS INCLUDING THE VALUE OF YOUR PLAN WHEN YOU DECIDE TO TAKE YOUR BENEFITS, WHICH ISN'T GUARANTEED, AND CAN GO DOWN AS WELL AS UP.

THE VALUE OF YOUR PLAN COULD FALL BELOW THE AMOUNT(S) PAID IN.

COUNTDOWN HAS COMMENCED

Are you on track to a financially secure retirement future?

When you are at the point of retiring, the new pension freedoms have opened up all sorts of alternative strategies to taking your pension benefits. The very concept of retirement is changing.

'Phased retirement' is becoming more common. The way we access our pension is now a lot more flexible, and it's no secret that in the UK we're living longer than ever before. A longer retirement and more choice over how you take your pension make for an exciting time. And planning ahead will help ensure you're on track to a financially secure future. Our timeline will help you get started.

Although retirement can still seem a while away, begin to consider what you want your life to be like when you get there.

TEN YEARS BEFORE YOU PLAN TO RETIRE

Here are some things to think about as you start to build your plan:

- The age you'd like to retire
- How much you'll likely have in your pension fund/s, and the income you'll need when you retire
- Any savings, investments or other assets that you could add to your retirement income
- How your living expenses could change in the future
- How you'll pay for any travel, hobbies or further education once you've retired
- An emergency savings fund, to help with any unexpected costs like car or home repairs
- Paying off any debts before you retire
- How you'll support your dependants once you've retired
- Putting money aside to pay for long-term care for you, your partner or other dependants

Don't forget that your spending habits are likely to change in retirement. For example, your commute costs are likely to be lower, but more time at home may mean your utility bills go up.

FIVE YEARS BEFORE YOU PLAN TO RETIRE

Now is the time to make sure your goals are on track:

- Decide the age you're likely to retire
- Consider phasing your retirement and continuing to work part-time for your current or a new employer
- Boost your pension by increasing your contributions and/or adding lump sum payments (take advantage of any unused pension tax allowance)
- Trace any lost pensions through the Pension Tracing Service
- Ask for up-to-date statements for all your pensions. You can also get a forecast of your State Pension at www.gov.uk
- Look over your investments and savings to see if they still meet your attitude to risk as you get closer to retirement
- Think about whether you'd like to take an income from your pension or whether you want a pot of cash, including any tax-free allowance, to do something different in retirement
- Discuss your options with a professional financial adviser
- Write a Will or review your existing Will – and plan what will happen to your pension and estate if you die, plus any tax implications.

SIX MONTHS TO GO

It's time to give yourself a retirement readiness check-up:

- Review your pension statements to get an accurate picture of what your funds are worth
- Make an appointment with your professional financial adviser for advice on the best retirement options for you
- Determine the best option/s for taking your pension savings to meet your financial and lifestyle needs
- Tell your pension providers you're planning to retire, so that they can send you any and all information you need in plenty of time
- Update your beneficiary information
- Set a date for a pre-retirement meeting with your employer
- Let the HM Revenue & Customs (HMRC) know you're retiring because your change of status will affect your tax code
- Budget for changes in your day-to-day spending after you retire

TWELVE TO EIGHT WEEKS BEFORE

It's down to business now – you're just outside of your selected retirement date:

- Speak with a professional financial adviser to consider your options and retirement plans
- Ask your provider about the ways you can access your pension based on the options available
- You should receive a letter four months before you reach State Pension Age, telling you how to claim your State Pension. If you haven't received this by three months before, here's how to claim this

'PHASED RETIREMENT' IS BECOMING MORE COMMON. THE WAY WE ACCESS OUR PENSION IS NOW A LOT MORE FLEXIBLE, AND IT'S NO SECRET THAT IN THE UK WE'RE LIVING LONGER THAN EVER BEFORE.

- Look into any entitlements from the Government over and above any State Pension you may get, as these could make a real difference to your living costs

EIGHT TO TWO WEEKS BEFORE

The final countdown! It's time to make sure you have all the information you need to help make a decision:

- Consider any retirement quotes that your provider may have sent you
- Remember, if you want to use your pension to provide an income, you should shop around the different providers to get the best income you can. If you and/or your partner have a health and/or lifestyle condition, then you could get an even higher income as different providers also cover different conditions
- You'll also need to apply to your provider/s if you're moving pensions from different sources
- There you have it – happy retiring!

WE CAN OFFER THE RIGHT HELP

Whether you're new to pensions, or whether your retirement is just a few years away and you want professional financial advice, we can offer the right help for you to make the most of your money now and in the future. To find out more about your options, please contact us.

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ISA RULES AND INHERITANCE TAX

Families set to pay millions in unnecessary tax

There's a fundamental lack of awareness and understanding around Inheritance Tax, especially when it comes to how Individual Savings Accounts (ISAs) are treated after death. Given that some people have been able to amass over a million pounds in their ISAs, it's an area where lack of knowledge could prove costly.

Over half (51%) of over-45s do not know that ISAs are liable for Inheritance Tax, leaving families across the UK set to pay millions in unnecessary taxes according to findings from an annual Inheritance Tax monitor survey[1].

GIFTED TO A PARTNER

On death, as ISAs can only be gifted to a spouse or civil partner and not children without incurring tax, the Government will ultimately be a major beneficiary of money currently residing in Cash ISAs and Stocks & Shares ISAs. In the last Budget, HM Treasury predicted it would raise £5.3 billion in the 2017/18 tax year in Inheritance Tax, which will eventually increase to £6.5 billion by 2022 to 2023.

The research also revealed over three quarters (77%) think the UK's Inheritance Tax rules are too complicated. Yet despite this, only a third (33%) have sought professional financial advice on Inheritance Tax planning. Of those who did seek advice, over two fifths (42%) spoke to a professional financial adviser.

RULES REGARDING INHERITANCE

Some people could inherit less than they expected because they aren't aware or make assumptions about the rules regarding inheritance. In particular, the rules governing the gifting of ISAs and valuable estates mean that many may be faced with a higher than expected Inheritance Tax bill.

ISAs remain the 'go to' financial product for many people as they look to build up a nest egg in a tax-efficient way during their lifetime. But with such a large number of older people investing into them, there is a worrying lack of awareness that ISAs are subject to a 40% Inheritance Tax charge. ISAs are a great tax-efficient investment in your lifetime, but more people need to be thinking about how to pass on their hard-earned money to their loved ones when they die. ◀

SECURING AND PROTECTING YOUR WEALTH

Early preparation is the key to success here. Taking advantage of methods to secure and protect your wealth will ensure that more wealth can be passed onto the next generation – to find out more, please contact us.

Source data:

[1] Survey of 1,001 UK consumers aged 45 or over with total assets exceeding the individual Inheritance Tax threshold (nil-rate band) of £325,000. Carried out in October 2017.

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