SEPTEMBER/OCTOBER 2020

# BROMIGE FINANCIAL

LIVE FOR TODAY. PLAN FOR TOMORROW.

## TAKE IT TO THE MAX

HOW TO MAKE THE MOST OF THE VARIOUS PENSION ALLOWANCES

**SILVER SPLITTERS**
Financial fall-out of divorcing in middle age

**NO DESIRE TO RETIRE GENERATION**
Why working and retirement are no longer binary terms

**PLANNING TO LEAVE A FAMILY LEGACY?**
Impact of coronavirus (COVID-19) on Will making

**Bromige Financial**, 3 Riverview Business Park, Station Road, Forest Row, East Sussex RH18 5FS
**Tel:** 01342 826703 **Email:** info@bromige.co.uk **Web:** www.bromige.co.uk

# INSIDE
# THIS ISSUE

**Welcome to our latest issue.** As the world continues to work out how to live with the coronavirus (COVID-19) pandemic, many will agree that the new normal needs new thinking.

The pandemic has unleashed changes that seemed unthinkable only six months ago. Along with the health, safety and well-being of family, friends and loved ones, the new normal has also highlighted the need for financial guidance and support during this turbulent period.

Saving into a pension is one of the most tax-efficient ways to save for your retirement. Not only do pensions enable you to grow your retirement savings largely free of tax, but they also provide tax relief on the contributions you make. On page 10, we look at the various pension allowances that you need to be aware of and help you understand how to make the most of them.

While the number of couples divorcing has decreased in recent years, the cohort of couples deciding to split in later life is on the rise. Splitting with a spouse in your forties, fifties or even later can bring with it many complications. What's the reason for the boom in so-called 'silver splitters'? Turn to page 09 to find out.

Giving up the 9-to-5 doesn't necessarily mean stopping work. On page 13, we explain why many people are now considering staggered or flexible working. It can suit some individuals who have caring responsibilities or health issues, or those thinking about retiring in the next few years.

We are living in extraordinary times right now, in the grip of a global coronavirus (COVID-19) pandemic. Families are becoming more open about their finances, with the COVID-19 crisis highlighting the need to discuss Wills and inheritance. Read the article on page 06.

A full list of the articles featured in this issue appears on page 03.

**IS YOUR FINANCIAL PLANNING STRATEGY READY FOR THE NEW NORMAL?**
We hope you enjoy this issue, and if you require any further help or guidance, please do not hesitate to contact us – we're here to help and support you and your family.





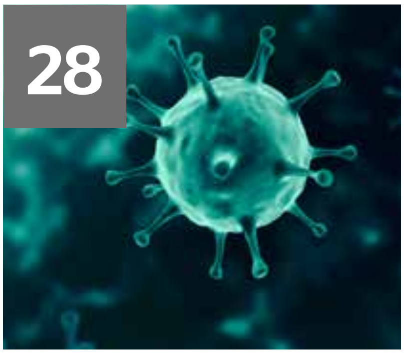


INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

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

# CONTENTS




# INVESTING DURING RETIREMENT

## WHY IT'S IMPORTANT NOT TO VIEW YOUR PORTFOLIO WITH AN ELEMENT OF FINALITY

**Retirement is a major accomplishment for most people.** You've worked hard all of your working life to save and prepare for your retirement, and now you've finally retired. So how should you approach investing now that you're no longer earning a salary? When it comes to investing during retirement, with the right strategy, you can help make sure your retirement savings last.

It is not unusual for people to live more than 30 years in retirement, due to increased incentives to quit work early and rising life expectancy, which in itself can present a major risk that retirees may outlive their savings. The longer the time spent in retirement, the harder it becomes to be certain about the adequacy of your assets.

**RETIREMENT INCOME BOOST**

You've been investing for decades to earn enough money to retire, and the day has finally come that you can stop working. At this point, your investment risk profile and strategy will almost certainly need to adjust in order to look at ways of making your money work as hard as possible, but with a view to generating income to boost your retirement income.

This is a time to look at how balanced your investments are and whether you are exposed to more risk than you are comfortable with in certain areas. It's time to conduct a review of all of your investments and decide how much you can afford to withdraw each year and whether this balances with your needs.

**TOO RISK-AVERSE**

An elementary mistake that some retirees make is to view their portfolio with an element of finality – and this makes them too risk-averse and unwilling to look beyond their current financial position. Of course, retirement means different things to different people.

For some, it's about never working again, and instead spending their days doing the things they enjoy most, such as travelling, pursuing hobbies, and spending more time with family and friends. For others, retirement means working part-time to stay busy and engaged in a profession, but without the need to earn a regular income.

**TIME OF YOUR LIFE**

Regardless of what retirement looks like to you, the key is to enjoy this time of your life, while making sure you don't outlive your retirement savings. For many retirees, that means developing an investing strategy that will allow them to withdraw money from their portfolio, while still enabling it to grow over the longer term.

There are a lot of ways to invest even after you have retired and your working days are done. It goes without saying that once you have retired, you'll want your retirement nest egg to last as long as possible. And with people living longer than ever, your nest egg may need to stretch further than you'd thought when you first started saving for retirement.

**POTENTIAL INVESTMENT OPTIONS**

For most retirees, that means developing an investing strategy that will allow them to withdraw money from their portfolio, while still enabling it to grow over the longer term. Given the potential investment options available to post-retirement retirees, at the point of investing, it's really important to consider the effects of future financial market volatility and inflation.

While the risk of portfolio declines can't be overlooked, retirees also face another type of risk: inflation. Even though we currently have historically low inflation, it's critical for retirees' investments to keep up with inflation throughout their retirement years. Cutting exposure to equities too aggressively could hinder the growth of a nest egg, potentially leaving retirees with less than they need.

**KEEPING UP WITH INFLATION**

While many retirees should stay invested, they must make sure a good portion of their investments is in safer assets. Today's low interest rate environment means your money may not grow quickly, or even keep up with inflation, but those assets will likely be better protected than equities in a market downturn.

If appropriate, retirees should typically have a healthy mix of equities, bonds and other investments, such as property. The right mix will depend on an individual's personal risk tolerance. Retirees should also set up their portfolios in a way that better protects the funds they may need in the next five years, in the event of future stock market corrections.

**TONING DOWN RISK APPETITE**

It can be hard for some retirees to tone down their risk appetite when investing during their retirement years, following decades of investing for growth. But diversification is just as important for investors at any age, and may be most critical when investing in retirement.

This is a time of your life to ensure that you spread your investments across and within asset classes to make sure you are well diversified. You can spread your money across the three major asset classes (equities, bonds and cash equivalents). This is known as 'asset allocation'. To balance the risks and returns of the asset classes – and the investment within the asset class itself – you can also spread your money across various investment options within a particular asset class.

**INCREASING FINANCIAL SECURITY**

The most careful plans and preparation for retirement can fall apart due to any number of post-retirement risks. However, making the right investment decisions can help you increase your financial security and provide income that you can use to live comfortably after you stop working.

It is a good idea to try and set aside up to two years of living expenses in cash. Having some money that you can access quickly in an emergency situation will protect you from the need to sell some of your riskier investments at a loss and cover you for a period of time if you are falling slightly short of your income generation target. ■

**ON THE PATH TO OR CURRENTLY IN RETIREMENT?**

Regardless of what retirement looks like to you, the key is to enjoy this time of your life, while making sure you don't outlive your retirement savings. If you're on the path to or currently in retirement, you will want to make your money go the distance. To find out how we can help you explore your options, please contact us to discuss your requirements.

THE VALUE OF YOUR PENSION CAN GO DOWN AS WELL AS UP, AND YOU MAY GET BACK LESS THAN HAS BEEN PAID IN.

EQUITY INVESTMENTS DO NOT AFFORD THE SAME CAPITAL SECURITY AS DEPOSIT ACCOUNTS.

# PLANNING TO LEAVE A FAMILY LEGACY?

## IMPACT OF CORONAVIRUS (COVID-19) ON WILL MAKING

**We are living in extraordinary times right now, in the grip of a global coronavirus (COVID-19) pandemic.** Many people are concerned to ensure that their affairs are in order and that they have made a Will, which is one of the most important legal documents you can create in life.

It is always sensible to have a valid Will in place to ensure that your estate is divided among the people (or charities) you want to receive it. The coronavirus outbreak has given further impetus to many people to put their affairs in order, and having a valid Will in place is particularly important if you suffer from any underlying health issues or are elderly.

### NEED TO DISCUSS WILLS AND INHERITANCE

Families are becoming more open about their finances, with the COVID-19 crisis highlighting the need to discuss Wills and inheritance. A study conducted at the height of the pandemic shows the pandemic has encouraged more people to make a Will[1].

A third (33%) of people in the UK have either drafted a new Will or have amended an existing one as a result of the global health and humanitarian crisis we're facing. The research highlights that this is also having a broader effect and is making families more open about their finances. Nearly four out of five (78%) believe the pandemic will lead to more conversations about inheritance planning within their families.

### COMPLEX FAMILY SET-UPS THE NEW NORMAL

The pandemic has not spurred everyone to act: more than a fifth (22%) of people surveyed say they do not have a Will, and do not plan to draw one up. Worryingly, around one in ten say they believe doing so would be tempting fate.

Families can face major problems if there is not a Will in place, particularly as complex family set-ups are increasingly becoming the new normal. Nearly one in seven (13%) families in the UK now have a stepson, stepdaughter and/or adopted son or daughter as part of their family. And a fifth (21%) of parents have been involved in two or more romantic relationships that have led to them being legally responsible for children to whom they have no biological link.

### SIGNIFICANT IMPACT ON ESTATE PLANNING

An outdated Will can be challenged, which could be a drain on a family's estate. This is especially pertinent as only 27% of adults are confident that their current Wills are unlikely to offend relatives. Nearly half (49%) of those with a Will have never rewritten or amended it. Just 24% have amended their Will once, 16% have amended it twice, and only 5% have amended it three times.

Rising concerns over marital health is also having a significant impact on estate planning. The study also found that over two thirds (67%) of parents have decided to delay family inheritance planning for fear that their children's marriages will end in divorce, with the likelihood of wealth and assets leaving the family estate.

### MITIGATE SUBSTANTIAL WEALTH LEAVING THE FAMILY

In fact, a quarter (27%) of parents have little or no confidence about the prospects of their children's marriages lasting a lifetime, and one in six (16%) have doubts about their in-laws' financial competence. The findings show that these worries are not unsubstantiated, with more than one in four parents (27%) having children who are separated or divorced.

To mitigate substantial wealth leaving the family in the event of divorce, a fifth of parents (21%) are gifting small amounts to their children to help with day-to-day living, while 19% are gifting directly to their grandchildren. Parents have other reasons for restricting levels of financial support: 13% of parents say it will reduce their children's incentive to work, and 12% think there would be little left for their grandchildren. ■

**Source data:**

*[1] Research conducted by Consumer Intelligence for Handelsbanken in April 2020 with over 1,000 respondents*

**PROTECTING YOUR WEALTH FOR FUTURE GENERATIONS**

The majority (83%) of respondents questioned as part of the research commented that the experience of the coronavirus pandemic will encourage people to sort out their financial affairs and trigger them into drawing up new Wills. A Will is one of the most important legal documents you can create in life, as it serves to protect your financial assets after you have passed away. To discuss your estate planning requirements, contact us for further information.

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 RULES AROUND WILLS ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

# DELAYING RETIREMENT

## PANDEMIC FORCING A WIDESPREAD RETHINK OF RETIREMENT PLANS

**The coronavirus (COVID-19) pandemic crisis has thrown some of the nation's retirement plans up in the air.** As a result, a number of people over 50 and in work are set to delay their retirement (15%) by an average of three years, or keep working indefinitely (26%) as a direct result of COVID-19, according to new research[1].

The pandemic is forcing a widespread rethink of retirement plans. Currently, 1.5 million workers aged over 50 are planning to delay their retirement as a direct result of the pandemic. The most recent data from the Office for National Statistics highlights the number of workers aged above 65 years is at a record high of 1.42 million[2]. However, if people change their retirement plans in response to the pandemic, this could increase considerably.

### DELAYING RETIREMENT BY FIVE YEARS OR MORE

One in six people aged over 50 and in work (15%) believe that they will delay, while 26% anticipate having to keep working on a full or part-time basis indefinitely due to the impact of the virus. On average, those who plan to delay their retirement expect to spend an additional three years in work. However, 10% admit they could delay their plans by five years or more.

These figures are significantly higher for the 26% of over-50s workers who have been furloughed or seen a pay decrease as a result of the pandemic. One in five of these workers will delay (19%), and 38% expect to work indefinitely.

### FORCED TO RETHINK RETIREMENT PLANS

The financial impact of the COVID-19 pandemic seems to be particularly pronounced for people aged over 50 who are still in work. While some people will choose to work for longer, or indefinitely, the key consideration when it comes to this research is that it seems this decision has been driven by the financial impact of the pandemic, rather than personal choice.

One in five (18%)[3] plan a change to their target retirement age, and 20% of over-55s who hadn't accessed their pension prior to the crisis have since taken out money from their pension (12%) or are considering doing so (8%) because of the pandemic. The self-employed have been particularly affected, with two in five (40%) forced to rethink retirement plans, and 22% now expecting to delay their retirement.

### IMPACT ON PEOPLE'S ABILITY TO RETIRE

This is a key stage in people's retirement planning, so seeing a material impact on household income will naturally lead to pessimism about achieving retirement goals. While it would be naive to say that these financial issues will not have an impact on people's ability to retire, it's important for people to have a strong understanding of the options available to them before concluding that their retirement needs to be delayed or forgotten indefinitely.

### /// SHOULD YOU POSTPONE YOUR RETIREMENT DUE TO THE CORONAVIRUS? IS POSTPONING RETIREMENT THE RIGHT STRATEGY? OR DOES STAYING WITH YOUR ORIGINAL RETIREMENT STRATEGY MAKE MORE SENSE?

That employment uncertainty, in combination with volatility in the financial markets, is understandably concerning to some people approaching retirement age. Those who have been furloughed or seen a pay decrease could benefit from a financial review to assess their options before changing their plans. ■

**Source data:**

*[1] Opinium Research ran a series of online interviews for Legal & General Retail Retirement among a nationally representative panel of 2,004 over-50s from 15–18 May 2020.*
*[2] Office for National Statistics, Labour market overview, UK: May 2020*
*[3] https://www.cofunds.aegon.co.uk/content/ukcpw/customer/news/covid-19_has_widereachingimpactonretirementplans.html*

**MAKING MORE SENSE OF YOUR RETIREMENT OPTIONS**

Should you postpone your retirement due to the coronavirus? Is postponing retirement the right strategy? Or does staying with your original retirement strategy make more sense? Whatever your long-term plans might be, a crisis as sudden and pervasive as the coronavirus pandemic is bound to raise such questions. To make more sense of your retirement options, please contact us – we're here to help you.

# REWRITTEN RETIREMENT RULES

## LOOKING TO DISCOVER WHAT YOU CAN DO WITH YOUR PENSION POT?

**In 2015, the retirement rules were rewritten.** The rules, which came into effect from 6 April 2015, have changed the way people take money out of their pensions, with new freedoms and options available to anyone over the age of 55.

Pension freedom tax rules allow members of defined contribution pension schemes to access their pension savings early, provided they have reached the required minimum pension age (currently 55).

### FLEXIBLE WITHDRAWALS

Scheme members can now take their pension benefits in a number of ways. This could be as one or more payments a year for a number of years, several payments a year over a shorter time frame, or the full value of the fund could be taken in one payment subject to Income Tax.

Through the second quarter of 2020 (between April and June), £2.3 billion was withdrawn from pensions flexibly – a 17% decrease year-on-year from £2.8 billion (second quarter 2019). However, the total value of flexible withdrawals from pensions since flexibility changes in 2015 has exceeded £37 billion.

### SEASONAL PATTERNS

The second quarter of 2020 saw 340,000 individuals withdraw from pensions – a 1% increase from 336,000 in the same quarter of the previous year. However, there has been a decrease in the number of individuals withdrawing compared to the first quarter of 2020 (348,000), which is contrary to normal seasonal patterns.

The average amount withdrawn per individual in the second quarter of this year was £6,700, falling by 18% from £8,200 in the same quarter last year.

**If you're 55 or over and have a defined contribution (money purchase) pension plan, you can:**

- Leave your pension pot invested
- Buy a guaranteed income for life (a lifetime annuity)
- Take a flexible income from your pension pot (typically known as 'flexi-access drawdown')
- Take a cash lump sum from your pension pot (up to 25% tax-free)
- Combine one or more of the options above. You can take cash and/or income at different times to suit your needs

**MAKE INFORMED DECISIONS ABOUT YOUR RETIREMENT**

Making sure you manage your money well in retirement is important. It can affect how long your pot lasts and the kind of lifestyle you can afford. We can help you make informed decisions about your retirement. Talk to us for more information.

**Source data:**
*https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/904548/Pension_Flexibility_Statistics_July_2020.pdf*

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

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.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

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. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

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.

# SILVER SPLITTERS

## FINANCIAL FALL-OUT OF DIVORCING IN MIDDLE AGE

**While the number of couples divorcing has decreased in recent years[1], with 91,299 cases in 2018 compared to 102,007 in 2017, the cohort of couples deciding to split in later life is on the rise.** Also, pre-pandemic divorce valuations could have changed by as much as 30%, which may lead to some people receiving unfair settlements if valuations are not updated[2].

What's the reason for the boom in so-called 'silver splitters'? Some suggest that as lifestyles have improved ('fifty is the new forty' after all), many mid-lifers are feeling they're entering their prime and want to make the most of it, potentially with a new partner.

### FINANCIAL RAMIFICATIONS

Splitting with a spouse in your forties, fifties or even later can bring with it many complications. For couples aged between 46 and 50, men were more likely to have had sole responsibility for looking after household finances, with 43% of women in this age group saying that they looked after all the bills, according to research[3].

As a result, some mid-life women may have a tougher time dealing with the financial ramifications of a relationship breakdown, both in terms of understanding the value of assets which were held together and managing finances on a day-to-day basis once they set up home on their own.

### REDISTRIBUTIVE POWERS

Then, of course, there's the thorny issue of the marital home. There's a long-held misconception that those living together over a certain length of time have the same rights around property as married couples. However, this isn't the case. The Court has wide redistributive powers to transfer assets from one of the spouses or registered civil partners to the other.

This can take the form of transferring capital assets, ordering ongoing maintenance payments, or making orders about pensions. The Court will take several matters into account, including the assets, resources and needs of each party, the length of the marriage, and the standard of living enjoyed.

### COHABITING PARTIES

There's no such thing as 'common law marriage'. However, the position is markedly different where the two parties have been cohabiting. Where cohabiting parties break up, they have no automatic rights to make financial claims against each other.

Co-habitees who purchased a property jointly – or perhaps where one party previously held the property in their name and to which the other contributed in some way – have the same rights as any other co-buyers would have. The fact that they may have been in a relationship and have lived together for however long makes little, if any, difference.

### FUTURE INHERITANCE

There are many instances of people – often women – who've been in long-term relationships with a partner and have raised children who have grown up. When the relationship breaks down, they find themselves with no financial security and no claims against their former partner. Although claims can be made where any children are still minors, any such claims are limited to providing for the children rather than the other party to the relationship.

Those in a new relationship deciding to move in together must consider a different set of factors. You'll likely both have assets you're bringing to the new partnership and perhaps children from previous relationships. If that's the case, it's not just your assets that need to be protected, but your children's future inheritance as well. If you decide to buy somewhere together with your new partner, it's important to agree upfront on who is putting what into the transaction.

**This should include:**

- The deposit and contribution towards any mortgage
- Who will be responsible for that mortgage if one or other of you move out
- How that would be reflected in any final division of the sale proceeds if the relationship breaks down

### FORMAL DEED

If you're purchasing a home together without a mortgage, then it's even more crucial to document everything with your new partner, detailing what each party is paying, and that you intend to divide the property in the same proportions as you both contributed to it. In either case, it's possible to have a solicitor draw up a formal deed, which contains all the important points and protects both parties in the 'what if' scenario.

Should you contemplate a trip down the aisle at a later date, it's worth seriously considering a prenup. Those intending to remarry or enter into a registered civil partnership with a new partner should consider a pre-nuptial agreement, setting out what assets each of you has, and how you each intend for these to be dealt with on any future divorce or dissolution.

### PRE-NUPTIAL AGREEMENTS

Although pre-nuptial agreements may not be binding, a document clearly setting out that the intention was that certain assets were to remain yours, and ultimately benefit your children, can be very persuasive for a court considering any future divorce proceedings.

Ultimately, no one can predict the future and, to slightly paraphrase Oscar Wilde, marriage or co-habitation after divorce can be a triumph of hope over experience. However, with the right legal advice and a pragmatic conversation with your new partner, you're building your new relationship on a solid foundation, based on honesty and good communication. ■

**RETIREMENT SAVINGS ARE OFTEN DESTROYED BY DIVORCE**

Sometimes life doesn't go according to plan. Divorce can be a testing time, and negotiating a fair financial settlement can often add to the stress. When it comes to pensions, what can be divided depends on where in the UK you are divorcing. To start understanding where your retirement savings may stand after a divorce, please contact us to for further information.

**Source data:**

*[1] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/divorce/datasets/divorcesinenglandandwales*

*[2] https://www.brewin.co.uk/group/media/news-and-comments/2020-06/can-i-afford-get-divorced*

*[3] https://www.aviva.co.uk/adviser/documents/view/family_finances_mini_report_2018.pdf*

# TAKE IT TO THE MAX

## HOW TO MAKE THE MOST OF THE VARIOUS PENSION ALLOWANCES

**Saving into a pension is one of the most tax-efficient ways to save for your retirement.** Not only do pensions enable you to grow your retirement savings largely free of tax, but they also provide tax relief on the contributions you make.

There are various pension allowances that you need to be aware of and understand how to make the most of. These limit the amount of money you can contribute to a pension in a year, as well as the total amount of money you can build up in your pension accounts while still enjoying the full tax benefits.

### LIFETIME ALLOWANCE

All your pensions, including workplace pensions, count towards the Lifetime Allowance, with the exception of the State Pension and overseas pensions. The standard Lifetime Allowance is £1,073,100 since 6 April 2020 and increases with inflation each year.

You don't pay a tax charge until you take your pension savings over and above your Lifetime Allowance (or reach age 75, if earlier). The charge is only on the excess money saved in your pension that is above your Lifetime Allowance.

### NON-TAXPAYER OR EARNING LESS THAN £3,600

If you have no earnings or earn less than £3,600 a year, you can still pay into a pension scheme and qualify to receive tax relief added to your contributions up to a certain amount. The maximum you can contribute is £2,880 a year. Tax relief is added to your contributions, so if you pay £2,880, a total of £3,600 a year will be paid into your pension scheme, even if you earn less than this or have no income at all.

This applies if you pay into a personal or stakeholder pension yourself (so not through an employer's scheme) and with some workplace pension schemes – but not all. The way some workplace pension schemes give tax relief means that people earning less than the personal allowance (£12,500 in the 2020/21 tax year) won't receive tax relief.

### MONEY PURCHASE ANNUAL ALLOWANCE

The Money Purchase Annual Allowance (MPAA) rules were introduced as an anti-avoidance measure to prevent widespread abuse of the pension freedoms which commenced from 6 April 2015. It's intended to discourage individuals from diverting their salary into their pension with tax relief and then immediately withdrawing 25% tax-free.

The MPAA applies only to money purchase contributions and has remained at £4,000 since 6 April 2017. If you have taken flexible benefits that include income, such as an 'Uncrystallised Funds Pension Lump Sum (UFPLS)' or flexi-access drawdown with income – and you want to continue making contributions to a defined contribution pension scheme – you will have a reduced annual allowance of £4,000 annually towards your defined contribution benefits.

### ANNUAL ALLOWANCE

The pension Annual Allowance is the maximum amount of money you can contribute towards a defined contribution pension scheme in a single tax year and receive tax relief on. All contributions made to your pension by you, your employer or any third party, as well as any tax relief received, count towards your Annual Allowance.

The standard pension Annual Allowance is currently £40,000, or 100% of your income if you earn less than £40,000. A lower Annual Allowance may apply, however, if you are a high earner, or you have already started accessing your pension. High earners may potentially be subject to the Tapered Annual Allowance, while those who have already started accessing their pension potentially face the Money Purchase Annual Allowance (MPAA).

### CARRY FORWARD

Carry forward is a way of increasing your pension Annual Allowance in the current tax year. It is used when your total pension contribution amounts for a tax year exceed your annual pension Annual Allowance limit for that year.

You can do this by carrying forward unused allowances from the three previous tax years to make contributions this year. This may enable you to absorb or reduce any pension Annual Allowance excess paid in the current tax year which, in turn, would reduce any potential Annual Allowance charge amount. The 2020/21 tax year allows use of unused allowances from 2017/18, 2018/19 and 2019/20.

### TAPERED ANNUAL ALLOWANCE

The Tapered Annual Allowance calculations will now not affect anyone with a Threshold Income level below £200,000. The taper starts in this tax year at £240,000 and extends to a minimum of £4,000 Annual Allowance. This reduces the level of pension funding high earners and their employers can make into pension schemes.

If high earners exceed the threshold and adjusted income amounts, their Annual Allowance may be reduced by £1 for every £2 of adjusted income over this level until the minimum annual allowance level of £4,000 is reached. The maximum Tapered Annual Allowance reduction is £36,000.

### PENSION CONTRIBUTIONS TAX RELIEF

Everyone, whether working or not, is entitled to receive basic-rate tax relief at 20% from the Government when making contributions to their pension. Depending on the type of pension, tax relief can either be a reimbursement of the tax already paid on a pension contribution or it can be the ability to put away for your pension straight out of your wage, before paying any tax.

Basic-rate taxpayers, and those who don't pay tax, will earn 20% tax relief. Higher-rate taxpayers earn 40%. For additional-rate income taxpayers, who earn over £150,000 a year, tax relief is 45%. There are other rules that apply for additional-rate payers depending on specific circumstances. ■

**ARE YOU GETTING CLOSE TO YOUR ANNUAL PENSION LIMITS?**

It's a good idea to keep track of your pension contributions so that you know if you're getting close to your annual pension limits. Whatever challenges and opportunities retirement presents, our strategies evolve as your plans do. To discuss your unique situation, or to talk to us, please contact us for more information.

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

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.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

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. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

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 PENSION FACT FILE 2020/21 | |
| --- | --- |
| **Lifetime allowance**<br>The maximum tax-efficient pension savings in your lifetime, including all contributions and capital gains | £1,073,100 |
| **Non-taxpayer or earnings less than £3,600**<br>The maximum pension contributions that a non-taxpayer or low earner can make in one tax year and attract tax relief | £2,880 net contribution + £720 tax relief = £3,600 gross |
| **Money Purchase Annual Allowance**<br>If you start to take an income from your defined contribution pension, this can trigger a lower annual allowance | £4,000 |
| **Annual Allowance**<br>The maximum tax-efficient contribution to your pension savings in one tax year | £40,000 or 100% of UK relevant earnings |
| **Carry forward**<br>The three-year rule that allows you to carry forward your unused tax-efficient annual pensions allowance. | You are able to 'carry forward' any 'unused' allowance from the three previous tax years. However, even when carrying forward unused allowance, the amount you can pay into your pension is limited to 100% of your earnings in the tax year the payment is being made. |
| **Tapered Annual Allowance**<br>Those with higher incomes will see the annual pensions allowance reduce to £4,000 | |
| **Threshold income limit** | £200,000 – the Annual Allowance is reduced by £1 for every £2 of income above £240,000 down to a minimum allowance of £4,000 |
| **Adjusted income limit** | £240,000 – the Annual Allowance is reduced by £1 for every £2 of income above £240,000 down to a minimum allowance of £4,000 |
| **Adjusted income limit** | £300,000+ – £10,000 decreasing to £4,000 |
| **Pension contributions tax relief**<br>No earnings, or less than £3,600 a year | 20% |
| Marginal tax rate applies | 20%, 40% or 45% |

# HELP TO BUY SCHEME

## HOMES DEADLINE EXTENDED TO ENSURE CUSTOMERS DO NOT MISS OUT

**Thousands of families can still benefit from the current Help to Buy scheme despite delays in building their new homes due to coronavirus.** The deadline for the homes to have been finished in order to comply with the equity loan scheme has been extended to ensure customers do not miss out if there has been a delay in construction due to the pandemic.

During lockdown, housebuilding sites across the country were shut down for weeks, eventually reopening with strict social distancing measures in place that have caused further delays in completion dates.

### EXTRA MEASURE TO PROTECT EXISTING CUSTOMERS

Under the current scheme, new homes need to be finished being built by the end of December 2020. However, the extension means the deadline will now move to 28 February 2021, helping thousands of customers to get the keys to their new home. The deadline for the legal completion of the sale will remain the same: 31 March 2021.

The Home Builders Federation, an industry body, believes that 18,000 transactions have been affected by the 31 December stop date, although government officials believe the real figure may be significantly lower. The federation claims that 40% (about 7,200) are unlikely to be eligible under the successor scheme, for example, because they are not first-time buyers.

### THE GOVERNMENT'S HOUSING ACCELERATOR

The Government is also announcing an extra measure to protect existing customers who have experienced severe delays as a result of coronavirus. Homes England, the Government's housing accelerator, will work with those who had a reservation in place before 30 June to assess their situation and look to provide an extension where necessary – in which case, they will have until 31 May 2021 to legally complete.

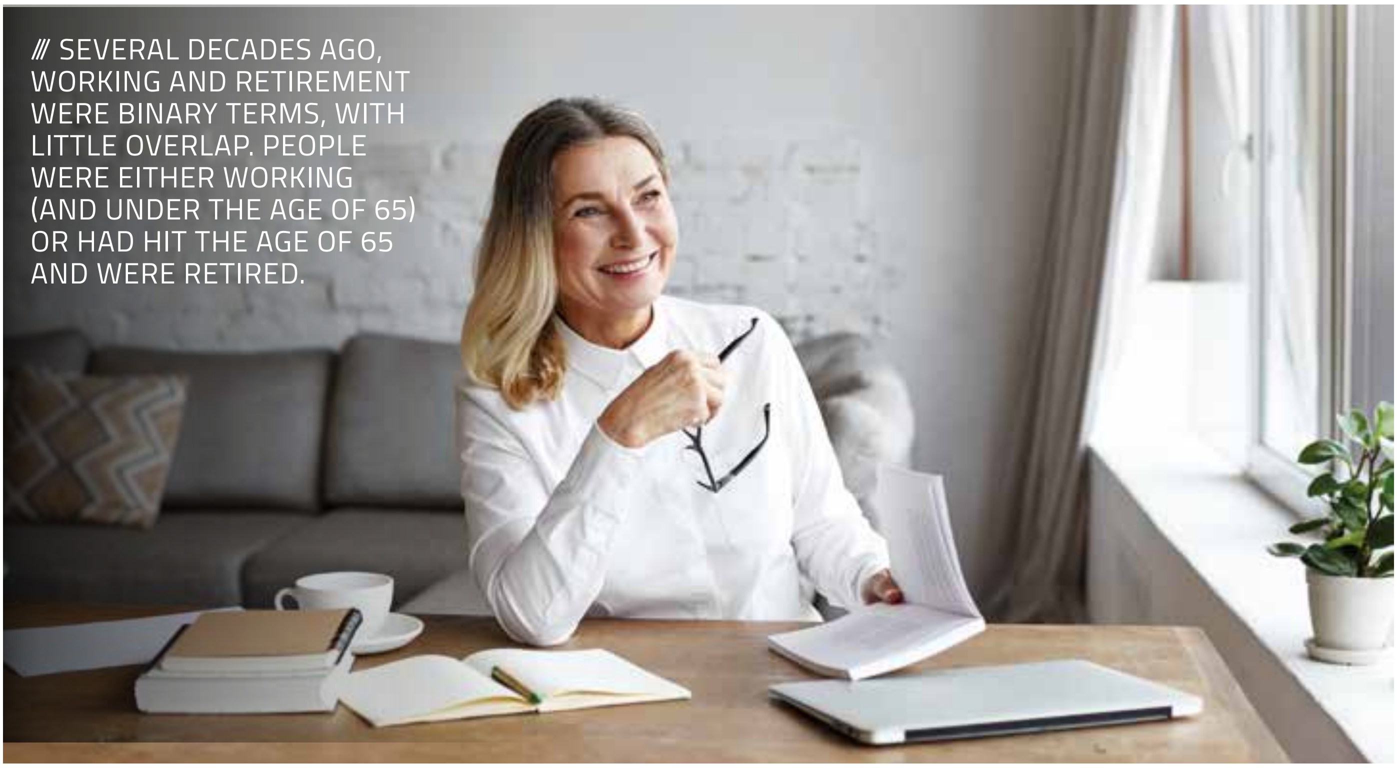
Separately, the Government's new Help to Buy scheme, which will replace the current scheme, comes into place from 1 April 2021 and runs until March 2023 as planned. Currently, there are no plans for further extensions. The new scheme introduces property price caps and is restricted to first-time buyers only, supporting people onto the housing ladder. ■

**SHAPING YOUR PERSONAL FINANCIAL JOURNEY**

We are here to help shape your personal financial journey, helping both you and your family with expert professional financial planning advice. To find out more, please contact us. We look forward to hearing from you.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.




# ‘NO DESIRE TO RETIRE’

## WHY WORKING AND RETIREMENT ARE NO LONGER BINARY TERMS

**Giving up the 9-to-5 doesn’t necessarily mean stopping work.** Many people are now considering staggered or flexible working. It can suit some individuals who have caring responsibilities or health issues, or those thinking about retiring in the next few years.

When you picture yourself in your golden years, are you sitting on a beach, hitting the golf course or working behind a desk? For many people of retirement age, continuing to work makes perfect sense.

### UNSETTLING PERIOD

Several decades ago, working and retirement were binary terms, with little overlap. People were either working (and under the age of 65) or had reached the age of 65 and were retired. That’s no longer true, however, as staggered retirement is becoming more popular and more common.

Few people benefit from the sudden transition from working five days a week to suddenly not working at all. Retirement can often be an unsettling period, and it’s not surprising given that the most common path into retirement is to go ‘cold turkey’ and simply stop working.

### PENSION POT

New research has highlighted the fact that fewer people are deciding against completely stopping working and are opting for a staggered and more flexible retirement and working part-time[1]. Nearly one on three (32%) pensioners in their 60s and 16% of over-70s have left their pensions untouched.

Of those who haven’t accessed their pension pot, nearly half (48%) of those in their 60s, and 24% of over-70s, say it is because they are still working. With people living longer, and the added prospect of health care costs in later life, retirees increasingly understand the benefits of having a larger pension pot in later life.

Of course, retirees who haven’t accessed their pension pot must have alternative sources of income. When asked about their income, nearly half (47%) said they take an income from cash savings, others rely on their spouse or partner’s income (35%) or the State Pension (22%), while 12% rely on income from property investments.

### GOOD HEALTH

This trend for staggered retirements offers many financial and health benefits. It is often taken for granted, but continued good health is one of the best financial assets people can have. The benefits of working – such as remaining physically active and continued social interaction – can make a big difference to people’s mental well-being and overall health in retirement.

People are increasingly making alternative choices about retirement to ensure that they do not run out of money, but it’s also really important to make pension savings work past retirement age so as not to miss out on the ability to generate growth above inflation for when there is the requirement to start drawing a pension. ■

**LOOKING FOR INTERCONNECTED RETIREMENT PLANNING?**

The retirement journey opens the door to interconnected retirement planning rather than product-based solutions. Put simply, in order to get the best outcomes, it is necessary to have a retirement strategy to give you choices and greater flexibility. If you would like to discuss your retirement plans, we’re here to help.

**Source data:**

*[1] Research from LV survey of more than 1,000 adults aged over 50 with defined contributions*

# 10 TIPS TO ACHIEVING YOUR FINANCIAL GOALS

## TIME TO DIAGNOSE YOUR MONEY SITUATION WITH A FINANCIAL HEALTH CHECK?

**Even if you have a solid financial plan in place, it still needs to be updated regularly to ensure it reflects any life changes.** But what should your priorities focus on now? Is it time to turn your attention to your pension, your ISA, your mortgage, or something else?

Should you be thinking about investing more for your children's education or putting an estate plan in place? And then there are those previous company pension schemes to review – is it three, four...or was it five?

If you're unsure what diagnosis to give your current money situation, maybe it's time to have a financial health check. But where do you start?

### 1

### REDUCE DEBTS

You need to know exactly how much you owe, how much interest you are paying, and to whom. If you already have a credit card or loan with a company, it is unlikely to allow you to take out a further loan or credit card to consolidate your debts – and you could end up with a rejection footprint on your credit record that will deter other lenders. If your debts are restricted to one or two credit cards which are incurring interest, the cheapest option is probably to transfer the balances to a zero-interest credit card deal.

If your debts are too large to move to one credit card account, you could move as much as possible to a zero-interest credit card deal, pay the minimum allowed on this account, and concentrate on paying the more expensive debt that you were unable to transfer. Alternatively, you could apply for a personal loan to cover the entire amount. Once you have added up all the debt, work out how much you can reasonably afford to pay off each month.

### 2

### TRACK YOUR SPENDING

Without a budget to monitor your spending, you won't be able to track where your money is going. When you feel financially out of control, the knee-jerk reaction is to cut back. Your budget will make sure that your money is doing what you're telling it to do. Tracking your finances gives you a baseline to help track your progress and helps you to see spending mistakes before they become disastrous personal finance problems. Once you get into the habit of tracking your expenses, you'll find that the process makes you more mindful of the spending choices you make throughout the day.

One of the biggest sources of financial stress for some people is the eternal question of where all the money went. By tracking all of your expenses rather than feeling as though everything is out of control, you can transform the question into one of personal decision-making – something that's far less stressful. In short, tracking your expenses returns the sense of control over your finances to you. You're no longer just along for the ride on a financial roller coaster. There are a number of different iOS and Android budgeting apps that have been designed to help you keep track of your finances from your phone.

### 3

### USE TAX ALLOWANCES

For the 2020/21 tax year, there are a number of allowances to make use of – the tax year runs from 6 April to 5 April. The Income Tax personal allowance, which is the amount you can earn tax-free before you start paying Income Tax, is £12,500.

The tax-free dividend allowance is £2,000 for the 2020/21 tax year. On dividends received above the £2,000 threshold, basic-rate taxpayers pay 7.5% tax and higher-rate taxpayers pay 32.5%. Additional-rate taxpayers will be charged 38.1% tax on dividend income over the allowance. The dividend tax does not apply to investments held in an Individual Savings Account (ISA) or a pension.

Every year you can take advantage of your Capital Gains Tax allowance. In this current 2020/21 tax year you can make gains of £12,300 before you start paying Capital Gains Tax. Lower-rate taxpayers pay 10% tax on capital gains, and higher and additional-rate taxpayers pay 20%. The only exception is for second properties, including buy-to-let investments. Capital gains on these investments will be taxed at 18% for basic-rate taxpayers and 28% for higher and additional-rate taxpayers.

Pension contributions receive full Income Tax relief; this means it costs basic-rate (20%) taxpayers £80 to save £100 into their pension, while higher-rate (40%) taxpayers only need to pay £60 to save £100. The lifetime pensions allowance for the 2020/21 tax year, in line with inflation (Consumer Price Index), now stands at £1,073,100.

Most people are allowed to contribute up to £40,000 into their pension in 2020/21, known as the 'annual allowance'. For the ultra-high earners who earn an 'adjusted income' of over £240,000, the annual allowance tapers by £1 for every £2 of income, to a minimum of £4,000 per year – the taper threshold is currently £240,000.

You can save a total of £20,000 in an Individual Savings Account (ISA) this tax year, where all your earnings will be tax-efficient. You won't pay Income Tax, dividend tax or Capital Gains Tax on any investments you hold in an ISA. The limit applies to Cash ISAs, Stocks & Shares ISAs and Innovative Finance ISAs, and the allowance can be spread among the three types.

You can save £4,000 a year into a Lifetime ISA, and this can be used towards the cost of buying a first home or for retirement. If you're looking to buy a home, there's also the Help to Buy: ISA, but this is no longer available for new savers. Those who opened a Help to Buy: ISA before the ISA closed to new savers in December 2019 can save up to £3,400 in the first year and then £2,400 each year afterwards.

The Junior ISA allowance for the 2020/21 tax year is £9,000. This same limit applies to Child Trust Funds (CTFs). It has previously risen every year in line with inflation.

Basic-rate taxpayers can now earn £1,000 from savings before they start paying Income Tax on savings income. Higher-rate taxpayers start paying tax on savings income over £500. There is no savings allowance for additional-rate taxpayers.

## 4

### START A NEW HABIT

Regular monthly investing promotes the discipline of saving, whereby a small amount invested every month over several years can build into a sizeable nest egg. Regular contributions are generally the route taken by people who don't have a large amount to invest at one time, or by those who are more cautious about investing a lump sum and prefer to drip feed their money into the markets.

Investing monthly can also be a particularly effective way of investing through times of volatile markets, as we've been experiencing this year. A monthly direct debit takes the emotion out of investing, which can be invaluable at times of extreme volatility. Investing monthly also means that you don't see the value of your investment change so dramatically, which can help you stay focused on your long-term goals.

When there is a market correction, your regular payment will acquire more units. And when the market rises, you will acquire fewer units, but the units you bought in previous months will be worth more. This smoothing out of investment returns is known as 'pound-cost averaging'. As your circumstances change, you can adjust the amount of your regular savings. Ideally, you should look to increase the amount as your salary increases, but you have the flexibility to reduce it should your income fall.

## 5

### TOP UP YOUR PENSION

To get the income you want during retirement, it's important to regularly review the amount you're contributing towards your pension savings. However, you need to be aware that over time, inflation can steadily erode the value of your contributions, so it's important to review them regularly.

A pension is one of the most tax-efficient ways to save. Topping up your pension will help towards  improving your financial security in retirement, and saving a bit more now could make a big difference to your future. The way in which the tax relief is given will depend on the type of pension scheme you're in, and also whether or not you use salary sacrifice.

Many pensions allow you to choose to automatically increase your payments each year, say by 3–5%. It's likely that they'll stay in line with inflation without you having to worry about it. You should consider a larger increase if you receive a pay rise.

## 6

### FOCUS ON YOUR GOALS

Failing to plan is planning to fail. How often do you set goals? How often do you revisit your list of goals? We all know that setting goals is important, but we often don't realise how important they are as we continue to move through life. Focusing on your goals can help ensure you aren't distracted by current daily events, so that they don't prompt you to veer off course.

Financial planning is essentially about setting short, medium and long-term financial goals and putting together a plan to meet them. It's important to have a solid understanding of your finances and how to reach your goals. Setting goals helps trigger new behaviours, helps guide your focus, and helps you sustain that momentum in life.

How will your life be different in a year? Do you have the security of knowing where you're heading financially? Are you going to be able to maintain your current lifestyle once you stop working? Have you made sufficient financial plans to live the life you want and not run out of money? Do you have a complete understanding of your financial position? What is 'your number' to make your current and future lifestyle secure? When you keep your focus on what you want to achieve in life, you are much more likely to reach your goals.

## 7

### STICK IT OUT

Don't let the coronavirus (COVID-19) pandemic derail your financial plans. There will always be some bumps along the way as you invest for your future, but as volatility emerges and emotional anxiety sets in, this can lead you to veer towards 'flight' instead of 'fight'.

Now is the time to take steps to improve your relationship with money and the role it plays in your life, with a view to seeking a happier, more fulfilled existence. Instead of making knee-jerk reactions, it's important to take time to consider your long-term plans and take deliberate steps that can further your long-term goals.

## 8

### BROADEN YOUR INVESTMENTS

Take the time to review your investments, and look for opportunities to diversify. Your investment strategy now could determine your financial success for years to come, which is why it's important to have a broad diversified spread of investments. Diversification can be neatly summed up as: 'Don't put all your eggs in one basket'. The idea is that if one investment loses money, the other investments will make up for those losses.

You diversify by investing your money across different asset classes, such as equities, bonds (also referred to as 'fixed income'), property and cash. Then, you diversify across the different options within each asset class. Diversification lowers your portfolio's risk because different asset classes do well at different times. It is your best defence against a single investment failing or one asset class performing poorly. Having a variety of investments with different risks will balance out the overall risk of a portfolio.

## 9

### KEEP EMOTIONS IN CHECK

Remember, as the old investment adage goes, it is 'time in the market, not timing the market' which is typically key to long-term gains. Shock events such as the COVID-19 outbreak and related stock market volatility can cause investors to act on their emotions.

Putting a plan in place when markets turn south and reviewing that plan when emotions are running high can temper this impulse. Although short-term volatility swings can be difficult to stomach, it's important for long-term investors to persevere.

While it may be tempting to pull out of investment markets, you may miss out on a potential market rebound and opportunity for gains while you're on the sidelines. During any period of volatility, thinking about your reasons for investing and what you ultimately plan to do with your money is important.

## 10

### REINVEST DIVIDENDS

Reinvesting dividends is one of the most powerful tools available for boosting returns over time. When you reinvest dividends, you can dramatically increase your annual returns and total wealth. At the point an investment you own pays dividends, you have two options: either take the money and use it as you would any other income, or reinvest it.

Although having the extra money on hand may be appealing, reinvesting your dividends can really pay off in the long run. When you eventually reach the stage where you'd prefer to use your dividends to supplement your income, you can simply stop reinvesting the dividends and start spending them! ■

**MAKE INFORMED AND CONFIDENT DECISIONS**

What are your financial goals? Whatever your particular situation, whether you want to invest to fund your dreams or make a financial plan for the future, we're here to help. For more information, please contact us to discuss how we can help.

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

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.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

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. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

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.

# SETTING UP A NEW LIFE

## ONE OF THE FREEDOMS OF RETIREMENT IS GETTING TO CHOOSE WHERE TO LIVE

**What makes a good place to retire?** It's one of the most basic questions people ask themselves when they start planning for retirement. It's also one of the most crucial questions and one that, surprisingly, many people don't give a lot of thought to.

If there was one perfect spot to match the needs of every retiree, deciding where to retire would be simple, but the reality is it's really about personal preferences. One of the freedoms of retirement is getting to choose where to live, rather than being tied to a specific location due to previous work commitments.

### LEAVING MAJOR URBAN AREAS

New data from the Office for National Statistics has revealed that people of retirement age in England are leaving major urban areas and settling elsewhere. Using the data[1], this is a list of the Top Ten Retirement Migration Hotspots, where those aged over 65 are setting up a new life.

Dorset, Shropshire and Wiltshire are the English local authorities most likely to see an increase in the number of people aged over 65 moving in[2]. This corresponds with a broader trend of older people living in rural areas, by the coast or in areas of outstanding natural beauty.

Meanwhile, the local authorities that have seen older people leaving are more likely to be those in cities, with 87% of major urban areas experiencing net departures of those aged 65 years and over, as of June 2019. London saw the most departures (over 10,000), and boroughs within the city account for the majority of the top ten most exited areas, followed by Birmingham, Bristol and Manchester[3].

### DRIVEN BY LIFESTYLE CONSIDERATIONS

In some cases, it is possible that financial reasons could play a role in people choosing to settle elsewhere. For instance, a homeowner aged over 65 choosing to sell the average property in Outer London (£424,200)[4] could receive a nest egg for their retirement if they were to buy the average property in Retirement Migration Hotspot Dorset (£324,707)[5], particularly with the recent changes to stamp duty rules.

However, these incidents of 'townsizing' – where someone frees up funds by buying a new property outside the city – are not necessarily universal. The average house price in Birmingham, for instance, is only £194,971 by comparison. This could indicate that people are also potentially driven by lifestyle considerations.

### LIVING IN A RURAL IDYLL OR COASTAL RETREAT

There are a number of reasons why retiring to a rural or coastal location can be attractive, even

if someone has lived their entire life in a major urban area. In many cases, the cash from selling a city home can create a nest egg and help with retirement income.

People might also want to move for health reasons, particularly in light of the challenges presented by the coronavirus (COVID-19) crisis. However, for many people, the attraction will be the perceived slower pace and better quality of life. Living in a rural idyll or coastal retreat is also a long-term aspiration for many people, and retirement provides an opportunity to realise that dream.

**LOCAL AUTHORITIES WITH THE LARGEST NUMBER OF PEOPLE AGED 65 YEARS AND OVER ENTERING IN THE MID-YEAR ENDING JUNE 2019**

| |
|---|
| Dorset |
| Shropshire |
| Wiltshire |
| Cornwall |
| Northumberland |
| East Suffolk |
| Tendring |
| Cheshire East |
| East Devon |
| East Riding of Yorkshire |

**PROS AND CONS OF DAY-TO-DAY LIVING**

If many different locations appeal to you, get out and see them. Starting years before retirement, visit places and then narrow down your choices to three or fewer. Spend a few weeks in each location to carefully weigh the pros and cons of day-to-day living.

Don't spend all of your time near the hotel. Instead, go out and visit neighbourhoods to get a sense of the people and the overall community engagement. For those who have the means, buying a second home during your working years can offer a pre-retirement trial period. ■

**SUPPORTING YOUR LIFESTYLE**

If you've planned your retirement, you're likely thinking about where you'll want to live. The key is finding a location that will support your lifestyle as well as your ability to be secure, healthy and happy well into the future. Whatever challenges and opportunities your retirement presents, our strategies evolve as your plans do. To find out more, please contact us.

**Source data:**

*Opinium Research online interviews for Legal & General Retail Retirement among a nationally representative panel of 2,004 over 50s from 15-18 May 2020.*

*[1] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongertrendsinsubnationalageingacrosstheuk/2020-07-20#migration-of-older-people-is-driven-by-movement-away-from-major-cities-to-rural-and-coastal-areas – Section 7*

*[2] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongertrendsinsubnationalageingacrosstheuk/2020-07-20#migration-of-older-people-is-driven-by-movement-away-from-major-cities-to-rural-and-coastal-areas – Section 7, Figure 3*

*[3] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglongertrendsinsubnationalageingacrosstheuk/2020-07-20#migration-of-older-people-is-driven-by-movement-away-from-major-cities-to-rural-and-coastal-areas – Section 7*

*[4] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/march2020#london-house-prices – Section 5*

*[5] https://www.ons.gov.uk/visualisations/dvc769/datadownload.xlsx – Mean average of all 'Dorset' small areas (Source: https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housepricestatisticsforsmallareas/yearendingseptember2019#median-price-paid-for-houses-in-local-areas)*

/// UNDERSTANDING CORPORATE GOVERNANCE AND ITS PLACE IN THE SPECTRUM OF ESG CONSIDERATIONS CAN HELP GIVE INVESTORS THE BEST CHANCE AT MAKING A POSITIVE IMPACT WITH THEIR PORTFOLIOS

# DIVEST OR ENGAGE?

## ESG MATTERS ARE INCREASINGLY IMPORTANT IN BOTH RETIREMENT AND INVESTMENT PLANNING

**Environmental, social and corporate governance issues are increasingly in the news, with some high-profile companies facing public scrutiny, corporate action or litigation.** In a world where doing good means a better, more sustainable future, environmental, social and governance (ESG) factors have become an essential measure for sustainability and ethics of a business.

Pension schemes are an important part of the investment chain, and according to new research nearly three quarters of women aged 40 and over would divest their pension from companies with poor corporate governance pay practices, led by 74% of female 'Baby Boomers' (aged 55–65). The majority of men of the same age group agree, but younger women are split 50:50[1].

### POOR PAY AND GOVERNANCE PRACTICES

An overwhelming majority of older women would divest their pension from investments in companies with poor pay and governance practices. Women aged 40 and over are much more likely than men of the same age group to agree with such steps, with a slimmer 59% majority of men of the same age willing to do the same.

Within the older female age group, 74% of female Baby Boomers and 73% of women belonging to 'Generation X' (aged 40–54) would invest less, or not at all, if they knew their pension was invested in companies that have attracted criticism for their governance and pay practices.

However, younger women are split on the issue. Only half of Millennial women would follow the same policy of cutting out these companies from their pensions.

### MORE FOCUSED ON CLIMATE ISSUES

The findings highlight a strong contrast between the relative importance of social and governance issues to older generations, and the views of younger people, who are more focused on climate issues.

Many Millennials (aged 25–39) want to divest their pensions from the fossil fuels industry. Millennials are more likely than any other generation to want to reduce their exposure to the fossil fuel industry, despite any potential consequences. Even if there was a resulting performance impact, 45% of Millennials would opt to divest their pension from fossil fuels.

/// COMPANIES WITH GOOD GOVERNANCE PRACTICES TEND TO OPERATE FAIRLY AND ETHICALLY AND ARE GENERALLY OPEN ABOUT BUSINESS PRACTICES

This compares to 30% of Generation X, while Baby Boomers (at just 23%) were half as likely as Millennials to divest from fossil fuels regardless of the investment outcome.

### NEGATIVE IMPACT ON PENSIONS

Including a further 41% of Millennials who would only divest from fossil fuels if it didn't impact investment returns, a combined 86% of Millennials would choose to divest their workplace pension from fossil fuels if it would have no negative impact on their pension.

Across all age groups, nearly half of all adults (49%) would prefer a policy of engagement to encourage change before divesting. It is also notable that only half of respondents were already aware of the types of investments within their workplace pensions, implying many more may not be aware of possible inconsistencies between these investments and their own beliefs. ■

**LOOKING TO HELP PEOPLE AND THE PLANET BY CHOOSING A RETIREMENT FUND WITH A CONSCIENCE?**

The need for responsible investment has never been more relevant. Environmental, social and governance matters are increasingly important in both retirement and investment planning. Whether you're saving for the future or enjoying your retirement, we can provide you with professional financial advice, allowing you to live life the way you want to. Speak to us to discover more.

**Source data:**

*[1] Fieldwork conducted by Watermelon Research for Legal & General Investment Management: 22–29 October 2019 consisting of 1,000 interviews (online) with UK adults between the ages of 25 and 65, who have a workplace pension and work in the private sector.*

# CAVEAT EMPTOR: 'LET THE BUYER BEWARE'

## INCREASE IN VICTIMS OF FINANCIAL SCAMS RELATED TO COVID-19

**As a result of the coronavirus (COVID-19) pandemic,** there has sadly been an increase in the number of fraudsters exploiting people's fears, targeting pension savers, investors and online consumers.

New research reveals one in five (22%) have received emails, texts, phone calls and other communications that mentioned coronavirus and which they suspected to be a financial scam – which equates to around 11.7 million people in the UK[1].

**NEGATIVELY AFFECTED MENTAL HEALTH**

Almost half (46%) of those who received a communication they suspected to be a financial scam didn't report it. The most common (41%) reason given was they didn't know who to report it to. One in 12 (8%) have been the victim of a financial scam that related to coronavirus. Four in five (78%) victims said the fraudsters pretended to be from a company they already deal with, and 41% said the experience negatively affected their mental health.

The Government and UK Finance-led 'Take Five to Stop Fraud' campaign website contains lots of useful information and offers straightforward, impartial advice that helps prevent email, phone-based and online fraud – particularly where criminals impersonate trusted organisations.

**CURRENT TACTICS FRAUDSTERS AND SCAMMERS MIGHT USE DURING THE CORONAVIRUS PANDEMIC**

**FIXED-RATE INVESTMENT SCAMS**

Criminal organisations have impersonated a number of firms proposing financial products, such as investment bonds offering an attractive, but not suspiciously high, return of around 3–5% per annum. As many are fixed income bonds paying quarterly dividends, the victim is often not alerted to the scam until the first payment fails to materialise.

**PRICE COMPARISON WEBSITES**

Use of fraudulent, and possibly some genuine, 'impartial' price comparison websites to generate interest from members of the public. Some of these opportunities can be found via sponsored links on Google or Facebook.

**STAFF EMAILS**

Use of email addresses which resemble those of staff at legitimate firms, and in some cases have used the names of genuine members of staff.

**LOANS AND CREDIT**

Exploiting short-term financial concerns, scammers may ask you to hand over an upfront fee – usually between £25 and £450 – when applying for a loan or credit that you never receive. This is known as 'loan fee fraud' or 'advance fee fraud'.

**GOOD CAUSE SCAMS**

This is where investment is sought for good causes such as the production of sanitiser, manufacture of personal protection equipment (PPE) or new drugs to treat coronavirus, with scammers using the promise of high returns to entice consumers.

**MARKET VOLATILITY**

Using the uncertainty around stock markets, scammers may advise you to invest or transfer existing investments into non-standard investments.

### CLAIMS MANAGEMENT COMPANY

Scammers may contact you claiming to be from a Claims Management Company (CMC), insurance company or your credit card provider. They may say they can help you recuperate losses by submitting a claim for the cost of a holiday or event such as a wedding cancelled due to coronavirus. They will ask you to send them some money or your bank details.

### UNSOLICITED APPROACHES

Cold calls, emails, texts or WhatsApp messages stating that your bank is in trouble due to the coronavirus crisis, and pushing you to transfer your money to a new bank with alternative banking details.

### HOW TO PROTECT YOURSELF

- Reject offers that come out of the blue.
- Beware of adverts on social media channels and paid for or sponsored adverts online.
- Do not click links or open emails from senders you don't already know.
- Avoid being rushed or pressured into making a decision.
- If a firm calls you unexpectedly, use the contact details on the Register to check that you're dealing with the genuine firm.
- Do not give out personal details (bank details, address, existing insurance/pensions/ investment details).

### UNSCRUPULOUS NATURE OF FRAUDSTERS

If further evidence were needed to expose the unscrupulous nature of these fraudsters and how they prey on people's fears, the research shows that suspicious communications, such as emails, texts and phone calls that relate to health insurance have increased by 15% since the coronavirus (COVID-19) pandemic. There were also increases in suspicious communications linked to life insurance (10%), pensions (3%) and annuities (2%).

So beware if the phone rings, and a friendly, energetic-sounding stranger on the line starts asking if you have a moment to learn how to triple your money in just six months by investing in gold or investment bonds offering a very attractive rate of return. Or you receive an email urging you to buy the shares of a company whose price is certain to go through the roof. If it sounds too good to be true, that's because it is. Remember, caveat emptor: 'let the buyer beware'. ■

### KNOWING THE BEST WAY TO INVEST YOUR MONEY

With ever-increasing demands on your time, ever-changing financial products and regulations, and fast-moving, volatile stock markets, knowing the best way to invest your money that's right for your unique particular situation is important. To discuss your requirements or to arrange a meeting, speak to us for further information.

**Source data:**

*[1] Research, conducted by Censuswide for Aviva with a sample of 2,009 nationally representative respondents, categorised the pandemic time frame between 1 March 2020 and 15 June 2020, with the pre-pandemic time frame categorised as 1 January 2019 and 28 February 2020. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.*

# REVOLUTIONISING THE RETIREMENT LANDSCAPE

## NAVIGATING COMPLEX DECISIONS TO SHAPE YOUR RETIREMENT FINANCES

**Pension freedoms have put a greater onus on people to keep themselves informed of their options when it comes to accessing their pension money.** However, little knowledge and understanding of the rules could mean some people risk making decisions that are not best for them.

For people in their 40s and 50s, understanding retirement savings is especially critical. Pension freedoms now give savers full access to their retirement savings from the age of 55. The reforms have given over-55s greater power over how they spend, save or invest their retirement pots.

### GREATER CHOICES AND FLEXIBILITY

From 6 April 2015, new freedoms included removing the need to buy an annuity to provide income until you die, giving access to invest-and-drawdown schemes previously restricted to wealthier savers, and the removal of a 55% 'death tax' on pension pots left invested. Since its introduction, more than £35 billion has been withdrawn by 1.4 million individuals through the pension freedoms, according to HM Revenue & Customs data.

The pension freedom changes apply to people with 'defined contribution' or 'money purchase' pension schemes, which take contributions from both employer and employee and invest them to provide a pot of money at retirement. They don't apply to 'final salary' or 'defined benefit' pensions which provide a guaranteed income after retirement.

### FREEDOM NUMBERS SET TO RISE

The number of new people reaching pension freedoms age will reach a peak in 2020, new analysis has revealed. According to the latest Office for National Statistics (ONS) population estimates, it is estimated that the next six years will see consistently high numbers of people turning 55, should the minimum pension age stay at 55 for the foreseeable future.

Estimates show that 941,000 people will be turning 55 in 2020 – more individuals than any other age in the UK. Population estimates over the following six years also show that those approaching the age of 55 will consistently total above 900,000.

### CONSIDER ALTERNATIVE OPTIONS

The coronavirus (COVID-19) crisis has thrown some of the nation's retirement plans up in the air, but the full impact will depend on where your pension is invested. For those age 55 and over, even though it is positive that people have the option to use retirement savings intended for later life earlier to reflect their situation, just because you can access pensions early doesn't mean you should.

The current crisis may see a significant number of individuals accessing pension funds earlier than planned, with others thinking about this. While this may alleviate short-term financial pressures, it leaves less of a retirement fund to provide an income throughout what can be decades of retirement. Taking larger amounts out of pensions can also mean paying more Income Tax – and it may be better to consider alternative options. ■

**THINK AHEAD TO RETIREMENT AND PLAN FOR THE FUTURE**

It's always important to think ahead to retirement and plan for the future, and even more so as we face up to the coronavirus crisis. Don't rush into making life-changing financial decisions. To make an informed decision about what is best for you, please contact us to review your situation.

**Source data:**
*https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/*
ulationestimatesforukenglandandwalesscotlandandnorthernireland

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

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.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

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. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

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.

# MILLENNIALS LOOK TO BUILD LONG-TERM WEALTH

## GIVING UP ON CASH ALTOGETHER, DISILLUSIONED BY TODAY'S DISMAL SAVINGS RATES

**The number of people in their 20s and early 30s choosing to invest in a Stocks & Shares Individual Savings Account (ISA)** prior to the coronavirus pandemic outbreak increased according to the latest HM Revenue & Customs annual ISA data[1].

Research shows that Generation Z and Millennials are now more likely to invest than Baby Boomers. Many have given up on cash altogether, disillusioned by today's dismal savings rates. An ISA is a tax-efficient investment vehicle in which you can hold a range of investments, including equities.

### DIFFERENT TYPES OF INVESTMENT OPTIONS

The different types of investment that can be held in a Stocks & Shares ISA include: unit trusts, investment trusts, exchange-traded funds, individual stocks and shares, corporate and government bonds, and OEICs (Open-Ended Investment Companies).

The data shows that under-25s are now the fastest-growing demographic in terms of Stocks & Shares ISA subscriptions, followed by those aged between 25 and 34. Subscriptions across both age brackets jumped 92.3% from 131,000 to 252,000 between the 2016/17 and 2017/18 tax years.

### MORE SUBSCRIBE TO A STOCKS & SHARES ISA

The number of under-25s with both a Stocks & Shares ISA and a Cash ISA also increased by 138% from 13,000 to 31,000 over the same period. The number of people aged between 25 and 34 subscribing to a Stocks & Shares ISA leapt 71% from 109,000 to 186,000 between the 2016/17 and 2017/18 tax years.

By comparison, analysis found that the number of people aged between 35 and 44, as well as those aged 65 and over, who subscribed to a Stocks & Shares ISA increased by just 4% and 5% respectively over the same period.

### LESS OF AN APPETITE FOR INVESTMENT RISK

The analysis also indicated that the figures for people aged between 45 and 54, as well as those aged between 55 and 64, subscribing to a Stocks & Shares ISA actually fell over the course of the year, indicating that these age groups had less of an appetite for investment risk.

The introduction of the Lifetime ISA, which gives subscribers a 25% government top-up on their savings (up to a maximum of £1,000 a year), is at least partly responsible for the uplift in the number of under-35s trying their hand at investing. Those aged between 18 to 39 can open a Lifetime ISA and save up to £4,000 annually, tax-efficiently, up to including the day before their 50th birthday.

/// SAVINGS HELD INSIDE THE ISA'S TAX-EFFICIENT WRAPPER ARE EXEMPT FROM CAPITAL GAINS TAX, DIVIDEND TAX AND INCOME TAX

### YOU CAN'T CARRY ANY UNUSED AMOUNT OVER

Since ISAs were launched 21 years ago, savers have accrued billions of pounds in these tax-efficient wrappers. The 2020/21 Stocks & Shares ISA allowance is £20,000 for individuals aged 18 and over. All savings held inside the ISA's tax-efficient wrapper are exempt from Capital Gains Tax, dividend tax and Income Tax.

Bear in mind that the amount you can contribute into an ISA is limited by the type of ISA you have. The tax year runs from 6 April one year to 5 April the next, and you can't carry any unused amount over to a new tax year – so it's either use it or lose it. The ISA allowance simply resets back to the annual allowance again on 6 April. ■

i

**MAKING THE MOST OF THE 2020/21 £20,000 ISA ALLOWANCE?**

Depending on your financial goals and plans for the future, if you are looking to put your money away for the medium to long term (five years or more), then a Stocks and Shares ISA is a tax-efficient way to invest. To find out more about your investment options, please contact us.

**Source data:**

*[1] https://www.gov.uk/government/statistics/individual-savings-account-statistics*

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.

# OVER-50S WITH NO PENSION PROVISION

## CONSEQUENCES OF NOT SAVING ENOUGH FOR RETIREMENT IN OUR TWILIGHT YEARS

**Planning ahead for retirement will help ensure you're on track to achieve the financial future you want.** However, millions of retirees may face the prospect of living in poverty during their twilight years and having to rely only on the State Pension as a result of failing to plan ahead for their retirement, according to new research[1].

People are living longer. This is good news, but more than a third (35%) of women and a fifth (20%) of men over the age of 50 do not have a private pension. Worryingly, 33% of over-50s don't think they have enough money to provide them with a sufficient income for their retirement – with women more worried about not having enough money in later life than men.

### ADAPTING FINANCIALLY TO A NEW LIFESTYLE

One of the most common problems in retirement is adapting to a lifestyle that meets our new level of income. After all, it can be difficult to adjust to a drop in income that comes as a result of retiring from a full-time role and then having to live solely off our own pension – or, even more challenging, only the State Pension.

How much retirement money you're going to need will depend on the type of lifestyle you want. However, one of the great things about saving into a pension is the tax relief you receive. This means that if you're a basic-rate taxpayer, for every £100 saved into your pension, the cost to you is just £80. This could effectively be even less if you're a higher or additional-rate taxpayer.

### DID YOU KNOW?

The maximum State Pension is a lot less than the amount most people say they hope to retire on – for the financial year 2020/21, it's £175.20 a week, or £9,110.40 a year.

### RELYING ON A PARTNER'S PRIVATE PENSION

The report also highlighted that 36% of women over 50 don't think they have enough money to fund their retirement, with just 13% suggesting they were confident they would have enough to fund a comfortable retirement.

Overall, the vast majority of over-50s thought pensions – state and private – will be the biggest contributor to funding their retirement, with 27% saying they will rely on their partner's private pension, rising to 30% for women.

### RETIREMENT IS NOT AN AGE ANYMORE

Many over-50s will look to other sources of income according to the report, with 12% expecting to use 'income from work' in later life, and 11% saying they expect to receive an inheritance. Property was also seen as an important source of income for homeowners: 14% are planning to downsize, and another 6% planning to use equity release.

It can be even more difficult for those reaching retirement who have either a reduced pension or no pension at all. However, it's important to remember that retirement is not an age. Not any more, anyway. Gone are the days of being told to stop working one day and picking up your state or company pension the next. Today, you have new pension freedoms to decide when and how you retire. ■

### HOW CAN I START SAVING FOR MY RETIREMENT?

If you didn't manage to set up a pension in your twenties or thirties, the good news is that it's never too late to start putting plans in place to fund your future retirement. There are various ways to save for retirement. To find out more about what we can do to help you, please contact us – it's important not to delay any further.

**Source data:**

*[1] https://www.sunlife.co.uk/siteassets/images/finances-after-50/finances-after-50.pdf/*

/// THE MAXIMUM STATE PENSION IS A LOT LESS THAN THE AMOUNT MOST PEOPLE SAY THEY HOPE TO RETIRE ON – FOR THE FINANCIAL YEAR 2020/21, IT'S £175.20 A WEEK, OR £9,110.40 A YEAR.

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

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.

TAX RULES ARE COMPLICATED, SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

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. PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

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.

# FUNDING CARE

## MORE OF US CAN EXPECT TO REQUIRE SOME FORM OF LONG-TERM CARE

**Whether you are looking for care for yourself or a loved one, chances are that one of your first thoughts is going to be: 'How much is it going to cost?'**, swiftly followed by, 'Who is going to pay for it?' Understanding all of the different funding options can make a big difference to the care you ultimately choose.

Depending on your situation, you may be eligible for government assistance in meeting some, or all, of your care costs. Increasingly, property wealth is growing in importance for funding care. A report[1] found around a third of over-55s plan to use their homes for care now, compared with just 19% a year ago.

### DOWNTURN IN CONFIDENCE

This coincides with a similar downturn in confidence in being able to fund care from savings and investments or pension incomes, partly driven by historic lows in interest rates and continuing stock market volatility.

Just over a third of over-55s believe their savings and investments will help fund care, and even fewer think their pension income will suffice. The findings shows over-55s overwhelmingly want to receive care in their own property, with three quarters planning either to stay in their current home or move to a more manageable property.

### SAVINGS AND PENSION INCOME

A quarter of people either don't know how they would meet their care costs or wouldn't be able to meet the costs. With the recent economic turmoil, confidence in savings and pension income has fallen, while more people are looking to the value tied up in bricks and mortar to finance care.

Getting professional financial advice and understanding what resources you have to draw on is important – and making sure you factor these potential costs into your retirement planning is vital. At the same time, as councils are under pressure, over-55s are waking up to the reality that they may well need to pay for all or some of their care in later life.

### LIFE EXPECTANCIES LENGTHEN

Meeting the cost of care in old age is a growing issue. As life expectancies lengthen, more of us can expect to require some form of long-term care. While local authorities and the NHS can support those with low assets and low incomes, the majority of us will have to fund our own care. There are a number of routes that can be taken, each with its pros and cons.

A vital first step is always to gather as much information as possible before the need for care becomes acute, and to obtain advice so that you can make sensible choices about care funding for you or your family's long-term future. ■

### WHAT WOULD HAPPEN IF YOU WERE UNABLE TO LIVE AN INDEPENDENT LIFE?

As we reach retirement, our thoughts tend to focus on funding our futures while maintaining our lifestyle. Few of us stop to consider what would happen if we were unable to live an independent life, yet this is expected to be a concern for a growing number of us.

**Source data:**

*[1] Key Care report Tackling the care question 2020*

# HAPPINESS IS FREEDOM

## WITH GREATER FREEDOM COMES GREATER RESPONSIBILITY

**'The secret to happiness is freedom' wrote the ancient Greek historian Thucydides.** And with the introduction of the pension freedom rules, those aged over 55 now have far greater freedom of choice over how they use their pension pot to fund their retirement years.

When pension freedoms commenced during the tax year 2014/15, it dramatically changed the pensions landscape. How people can now access their retirement income is substantially different from previous generations. On the one hand, pension freedoms have made it much easier for people to access their pension pots, and as a result some may think they can do it themselves.

### CONVERTING A PENSION POT INTO CASH AND INCOME

On the other hand, the reality about how best to convert a pension pot into cash and income is one of the most complex decisions in personal finance, and it is simply too difficult for most people to do without expert, professional financial advice.

Worryingly, half of Britons aged 55 and over (51%) admit they know little about the pension freedom rules introduced in April 2015, according to new research[1]. A further one in ten (10%) over-55s say they know nothing about the changes, which represented a complete shake-up of the UK's pensions system five years ago.

### FREEDOMS LET PEOPLE ACCESS THEIR PENSION POT

Just a third of over-55s (34%) can remember the changes taking place. The research also found that women are less likely to know about the rules than men, with 58% over the age of 55 admitting to knowing little about them compared to 43% of men.

The pension freedoms let people aged 55 and over access their Defined Contribution or Money Purchase pension pot in whatever way they want. The biggest change is that people aged 55 and over can withdraw their entire pension pot as one lump sum. However, there are likely to be charges (tax implications) for cashing in your whole fund, and not all pension schemes (particular workplace pensions) or providers will offer this option.

### GREATER ONUS ON PEOPLE TO KEEP THEMSELVES INFORMED

Money Purchase pensions include Personal Pensions and Stakeholder Pensions. Your contributions are used to build up a pot of money, and you choose how and when you want to use that pot. They don't include Defined Benefit pensions, where the amount of income you receive is linked to your salary and length of service.

With greater freedom comes greater responsibility. There is now more onus on people to keep themselves informed of their options when it comes to accessing their pension money. You need to make sure you have enough to live on throughout your retirement, and that you can provide for any dependants after you die.

### LIKELY TO TAKE A TAXABLE LUMP SUM IN RETIREMENT

Under the rules of pension freedoms, you can access your pension from the age of 55. If you choose to take a lump sum from your pension, 25% of the amount you withdraw will be paid tax-free, while the remaining 75% is taxable.

Looking ahead, 35% of adults aged between 45 and 54 say they will probably, if not definitely, take a tax-free lump sum from their pension at some point. Of those, 30% will do so as soon as they reach 55. Meanwhile, 15% of adults aged between 45 and 54 say they are likely to take a taxable lump sum in retirement. Of those, almost a quarter (24%) plan to do so as soon as they get to 55.

### A NEST EGG CAN BE CONSIDERED A BIG ACHIEVEMENT

In the current economic climate, some may be tempted to dip into their pension savings as soon as they can. With more people retiring with debts and mortgages to pay, the decision to access this requires serious thought. Perhaps the biggest difficulty in managing your own retirement money is guessing how long you will live and what investment returns you might expect.

By many estimates, you are going to need at least 70% of your income in retirement. Unfortunately, in our society of instant gratification, where keeping up with the Joneses is more important than saving money for the future, for many having a nest egg can be considered a big achievement. ■

**LIVE THE LIFESTYLE YOU WANT WHEN YOU RETIRE**

Saving for your retirement is essential, and making the right choices now can really pay off. Deciding what to do with your pension pot is one of the most important decisions you will ever make for your future. We're here to help you make good decisions so you can live the lifestyle you want when you retire. Please contact us to talk to us about your retirement plans.

**Source data:**

*[1] Standard Life's research of more than 2,000 UK adults found 35% of Britons aged between 55 and 64 have already accessed their pension pot, prior to State Pension age*

# NAVIGATING THE FINANCIAL IMPACT OF COVID-19

## HOW PEOPLE'S PHYSICAL HEALTH AND FINANCIAL WELL-BEING ARE BEING AFFECTED

**Needless to say, coronavirus (COVID-19) has had, and will continue to have, a major impact on our lives.** It is not just impacting on people's physical health but also their financial well-being. Research highlights how the finances of the UK's households have been affected by the coronavirus outbreak[1].

Given the economic uncertainties caused by COVID-19 and the extended lockdowns, financial worries have increased. During these uncertain times, it is very important to assess the current financial situation and gauge the long-term impact on our personal finance.

### SAVING MORE MONEY

The pandemic has prompted many people to review their retirement plans, but they are divided about what they will do next. Fears about the future have prompted 18% of the general population to review their finances, and nearly one in four (23%) have been saving more money.

Nearly a third (31%) of consumers say they are worried about their finances, and 28% have seen their outgoings decrease in lockdown, leaving them with increasing amounts of money in their current accounts.

### TAKING EARLY RETIREMENT

More than a quarter (28%) have seen the value of their pensions fall. Some 6% of the over-55s are considering taking early retirement, while conversely 4% are thinking of delaying retirement. Despite this, only 3% have consulted a professional financial adviser during this period.

Fewer than one in ten (8%) have increased the amount of money they are saving into a pension, while one in ten have cut their pension contributions. Part-time workers have been most affected by the coronavirus outbreak, with four out of ten (40%) seeing their incomes fall compared to a quarter (26%) of full-time employed people.

### COMFORTABLY WELL-OFF

Although four out of ten (41%) of the comfortably well-off group[2] have seen a fall in their monthly outgoings (compared to 32% of the general population), one in four expect their finances to worsen over the next three months. More than one in four (25%) employed comfortably well-off people surveyed have seen a decrease in their income compared to 29% of the general employed population.

However, fewer than one in ten (9%) of this group surveyed have been furloughed compared to 12% of the general population. 35% have seen an increase in the amount in their current accounts compared to 28% of general population.

### POLARISING PERSONAL FINANCES

Although relatively well-off families have been able to save more as they remain in employment and their monthly outgoings have reduced, coronavirus is further polarising the personal finances of people in the UK. And many people – particularly those who are self-employed or working part-time – have been hit much harder.

With this year's stock market volatility and fears about impending job losses, it's understandable that people are taking a safety-first approach and saving more into current accounts. However, saving too much into cash means you could miss out on future investment growth, while cutting pension contributions can cause you to have less money in retirement. ■

**KEY TO YOUR FINANCIAL STABILITY**

Regardless of the current or coming health effects of COVID-19 on you or your family, the pandemic has affected and will likely continue to affect household finances for years to come. Having a plan and using resources efficiently will be key to your financial stability. If you need help to reassess your finances, please contact us.

**Source data:**

*[1] LV= surveyed 4,004 nationally representative UK adults via an online omnibus conducted by Opinium in June 2020*

*[2] Comfortably well-off respondents were defined as those with £100,000 to £500,000 investable assets (excluding property) such as savings, Cash ISAs, Stocks & Shares ISAs, Premium bonds, Workplace DC pensions, Personal pensions/SIPPs, Transferable DB pensions, Stocks & Shares, Bonds*

# SUPPORTING YOUNGER GENERATIONS

## GIVING GRANDCHILDREN FINANCIAL SECURITY IS AN IMPORTANT GOAL FOR MANY

**If you are a grandparent, it's natural to want to help out the family.** And if you're able to give a financial boost – whether it's a loan or a gift – to the younger generation, it can be enormously rewarding for you too.

Even during the current coronavirus (COVID-19) crisis, some grandparents may be enjoying generous final-salary pensions and are also benefiting from the property boom of recent decades, enabling them to help their grandchildren with student debts, funding education or getting them on the housing ladder. However, this is certainly not the case for everybody.

### LONG-TERM CASH FLOW

If you're a grandparent, it is important to secure your own lifestyle first, and only then gift what is possible. Understanding your long-term cash flow – for example, tracking income and outgoings and looking at how existing assets can support you – is key to putting a plan in place.

This will provide you with the clarity you need for your own situation and ultimately help you to make decisions about providing sustainable financial support to the younger generations as well. Much of the focus around the financial fall-out from COVID-19 has been on the recent volatility and concerns about the value of pension pots, but the pandemic has impacted all generations.

### FINANCIAL SUPPORT

Being a grandparent is a unique and special role in a child's life, and research shows that nearly half (48%) of grandparents have stepped in to financially support their grandchildren during the COVID-19 outbreak, despite being concerned about their own retirement income[1].

Giving your grandchild financial security is an important goal for many grandparents. There are ways to save and invest for grandchildren that can have a more lasting effect on their financial independence beyond cash in a Christmas and birthday card each year. Lots of options exist that are tax efficient for them – and you too.

### RENT AND MORTGAGE PAYMENTS

A third (32%) of grandparents have given cash to their children, 8% have provided childcare, and 6% have helped with rent and mortgage payments. However, a quarter of grandparents haven't been able to see their grandchildren during the lockdown periods – not even remotely.

20% of those questioned said they were worried about the value of their private pension, and a further 13% were also worried about the stability, as well as the value, of their workplace pension.

### ENTREPRENEURIAL STREAK

Many grandparents have also shown an entrepreneurial streak to protect their retirement funds, with 45% taking action to generate income as a result of the pandemic. This includes selling items on eBay (23%) and looking for part-time work (10%).

The research shows that grandparents want to provide for their families, even if this makes them worry about their own financial future. However, it shouldn't be the case that they are choosing their family's financial stability over their own. ■

**WANT TO HELP GIVE THE YOUNGER GENERATION A BOOST?**

Helping out grandchildren financially can ultimately take a toll on your overall wealth. However, if you can afford to help out, there are a number of tax-efficient ways you can give money to your grandchildren. Please contact us to review the various options open to you.

**Source data:**

*[1] Killik & Co 21 July 2020*

# FUTURE FINANCIAL HEALTH

## TAKING THE TIME TO TAKE BACK CONTROL OVER RETIREMENT SAVINGS

**With all that has been going on in the world this year, for many people it's been really difficult to feel as though they're in control of much.** However, some people have been in the fortunate position of being able to take the opportunity to invest in both their physical and emotional health while in lockdown.

Worryingly, though, research suggests that some people might have overlooked their future financial health[1] as result of the coronavirus (COVID-19) outbreak. So as life begins to normalise, now is a good time to take back some of that control, starting with retirement savings.

**TIME TO REVIEW AND BETTER ORGANISE FINANCES**

Establishing financial security is an important goal, but it doesn't happen overnight. We need to cultivate good financial habits over our lifetime to reliably grow and maintain our retirement nest egg. All of our financial decisions and activities ultimately have an effect on our financial health.

Of those who spent the months of lockdown working from home, some might have been able to make financial savings as a result. Some employees, including furloughed employees, will have been entitled to employer pension contributions that may now need reviewing. People entering or approaching retirement in 2020 should carefully plan how and when to access their pension in order to maximise annual allowances and tax-free benefits.

**MORE BADLY ORGANISED THAN BEFORE THE PANDEMIC**

According to the research findings, 21% of people say they have taken the time to review and better organise their finances since the start of the pandemic. The younger generation of 18-34-year-olds (31%) were more likely to have organised their finances than those aged 35–54 (22%) and 55+ (13%), while men (23%) were more likely to have done this than women (19%).

Just 9% said that they hadn't reviewed their finances and that they were more badly organised than before the pandemic. This was much more likely among men (42%) than women (32%) and also more common among the younger generations, with 49% of 18-34-year-olds compared to 36% among 35-54-year-olds and 28% of over-55s.

**10 TIPS TO ENJOY THE RETIREMENT YOU WANT**

For the previous six months, understandably, people have been focused on the short term. Retirement savings may have been neglected by many.

- Review your spending habits and consider if you have the scope to save a little more each month.
- Look up your annual benefit statements – you may have saved with more than one employer's pension scheme.
- Think about what financial milestones you'd need to reach in order to increase your pension contributions and review your investment choices.
- Find out more about your current pension plan. If you pay in more, does your employer match your contributions?
- Track down old pension schemes, using the Government's finder service https://www.gov.uk/find-pension-contact-details or request contact details from the Government's Pension Tracing Service on 0800 731 0193 or by post.

- Check your Expression of Wish form is up to date. This is a request setting out who you would like to receive any death benefits payable on your death.
- Check your State Pension entitlement. To receive the full State Pension when you reach State Pension age, you must have paid or been credited with 35 qualifying years of National Insurance contributions. Visit the Government Pension Service https://www.gov.uk/contact-pension-service for information about your State Pension.
- Add up the savings and investments that you could use for your retirement. A pension is a very tax-efficient way to save for your retirement, but you might also have other savings or investments that you could use to increase your income when you retire.
- If you're getting close to retirement and the amount you're likely to retire on is less than you'd hoped, consider ways to boost your pension.
- Decide when to start taking your pension. You need to set a target date when you want to start drawing an income from your pension – and remember you don't have to stop working to take your pension, but you must be aged at least 55 (you might be able to do this earlier if you're in very poor health).

**SAVING NOW SO YOU CAN SPEND LATER IN LIFE**

If we've learnt anything from this COVID-19 pandemic, it's the importance of financial resilience, including having savings for later life. You need to save now so you can spend later in life. And making plans now for how you will pay the bills later when you are no longer working will avoid panic setting in when you suddenly find yourself retiring. ■

**PURSUE AND ACHIEVE YOUR GOALS**

There are two ways that wealth can slip away: slowly and quickly. Good financial health is about organising your resources in such a way as to allow you to pursue and achieve your goals while ensuring a reasonable degree of financial security. For help with your situation, please contact us.

**Source data:**

*[1] Aegon research with Opinium surveyed 2,000 adults between 15 and 19 May 2020*

# CARE IN LATER LIFE

## MAKING THE DIFFICULT CHOICE BETWEEN LIVE-IN CARE AND A CARE HOME

**One of the biggest challenges of the 21st century is Britain's ageing population.** As later-life care becomes more prevalent, whether you are considering this for yourself or a relative, covering the costs involved can be significant.

As we get older, the care and support we eventually need is also likely to change. Perhaps we'll need some extra help to stay independent in our home, or we may consider moving to a smaller property or a care home, or we may have already started caring for someone else.

### INCREASING CONCERNS FROM FAMILY MEMBERS

Understandably, there are increasing concerns from family members surrounding the coronavirus (COVID-19) pandemic, which is leading to some over-60s reconsidering options beyond care homes, such as downsizing or moving into assisted living.

Research highlights that more than one million over-60s who were originally planning on going into care homes are now rethinking their care plans in later life as a result of the coronavirus pandemic[1]. This shift could be driven by growing concerns from their children.

### ASSISTED LIVING OR MORE MANAGEABLE PROPERTIES

Nearly a fifth (19%) of Britons, who would have previously been open to care homes as an option for their family members before the crisis hit, now wouldn't consider it. Instead of moving into care homes, the research found that over-60s are primarily looking to move either into assisted living (19%) or smaller and more manageable properties (19%).

Moving in with family members was also a popular option, with nearly one in ten (9%) looking to move into a spare room, and 6% looking to move into a granny annexe. For those looking to move into an annexe or pay for home improvements, more than two thirds (67%) think they would need to alter their home or their child's home in some way.

**The most popular home improvements include:**

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

### FAMILY'S ASSETS BUILT UP OVER GENERATIONS CAN DISAPPEAR

Making plans for your later years – or an elderly parent's - is a sensitive and emotional process. There is the uncertainty of not knowing whether you will need some form of care in the future and, if so, to what extent.

Within a matter of only a few years, a family's assets built up over generations can disappear in the payment of later-life care fees. With the average cost estimated at between £600 to £800 per week[2], more than half (55%) of over-60-year-olds still haven't considered or don't know how they will fund it.

### THE WAY WE'RE THINKING ABOUT OUR FUTURES HAS CHANGED

For those who have considered it, a fifth (21%) expect to use their current (full new single-tier) State Pension of just £175.20 per week, 15% expect the Government to pay for it, and a further 15% expect to use their cash savings.

The coronavirus crisis has changed the way we're thinking about our future and how we can reach it. Not only has it made us think about how we want to spend the rest of our days, but also who we want to be with and where we want to be.

### HOW TO FUND THE COST OF CARE PROVISION IN LATER LIFE

It isn't surprising that people aged over 60 are starting to rethink their later-life care plans, whether that be their own choice or influence from family members. However, it's worrying to see there's still a significant number who haven't considered how they will fund care in later life.

We are all likely to live longer and healthier lives than past generations, but with the added challenge of how to ensure we have adequate resources to allow us to live the life that we would like in those later years. Understandably, the problem this subject poses is how to fund the cost of care provision in later life. ■

### HOW WILL YOU PAY FOR LATER-LIFE CARE?

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

**Source data:**

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

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

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

goldmine media