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Money & Wealth

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Is it time to give your pension a spring clean?

The start of the new tax year can serve as a useful prompt to refresh your finances and take a look at your pension. Are your plans on track for your retirement? Here are a few steps you can take.

Plan ahead for a bright future

One of the most important things you can do is to think in terms of the lifestyle you aspire to in retirement, and work out the level of income you will need to fund it. Drawing up a budget that caters for your living costs and factors in the things you will want to enjoy more of, like hobbies and holidays, will help you get a clearer picture of the amount you'll need to have saved.

The valuable tax breaks available on pension contributions (subject to the Annual and Lifetime Allowances) act as a clear incentive to save as much as you can comfortably afford. Many of us aren't saving enough, so bear in mind that even small increases in contributions can add up over the years.

Consider your options

It can help to think about alternative strategies such as working longer or going part-time, or even starting a new career. Today, those past State Pension age are much more likely to still be in employment than would have been the case a decade ago.

Calculate how much your pension is worth

Reviewing your current pension arrangements will help keep your plans on track and provide an opportunity to increase your level of contribution if your

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circumstances permit. Getting a State Pension forecast from the government's Future Pension Centre makes sense too.

Keep tabs on old pension pots

With many of us set to have several jobs during our working lives, it's important to keep track of pension pots from previous employment. We will be able to review these with you and help you decide whether it's best to consolidate them into one pension plan.

A pension is a long-term investment. The fund value may fluctuate and can go down. Your eventual income may depend on the size of the fund at retirement, future interest rates and tax legislation.

More than a million over 55s face tougher pension restrictions

Those dipping into their pensions using the pension freedoms introduced in 2015 need to be aware of the taxation implications of doing so if they also want to continue to save into a pension. An increasing number of individuals have been reported to be breaching the allowance. In the 2015-16 tax year, 8,890 individuals breached the allowance and paid £19,933 in average excess. By the following tax year, this figure doubled to 18,930 reported cases paying an average charge of £29,635[1].

Although tax relief is normally available on pension contributions up to £40,000 a year, once a pension saver makes a flexible withdrawal, the Money Purchase Annual Allowance is restricted to £4,000. Keeping up to date with pension rules and limits can seem complex and time-consuming, so do ask us for advice.

[1] HMRC, FOIA request

Side hustles – would they work for you?

Side hustles often involve doing things that you're passionate about that might one day become your main occupation

A growing phenomenon, especially amongst the young, side hustles are proving particularly attractive to the generation who joined the job market in the last decade.

Basically, a side hustle means having a second source of income, this can come from hobbies and passions, or simply spotting a gap in the market. Popular side hustles include activities like dog walking at the weekends, selling clothes or handicrafts in the evenings, or teaching or tutoring in the school holidays, or even developing things like a new phone app.

It's not the same as a part-time job. A part-time job entails working for someone else who governs the terms of your employment and the hours you work. Side hustles often involve doing things that you're passionate about that might one day become your main occupation.

A growing trend

Many people see this trend as a result of the last recession. The demise of jobs for life, the rise of the gig economy and wage stagnation have all played a part in changing the work perspective of younger people, with more now determined to follow their dreams and unleash their entrepreneurial spirit.

Research[2] found that a quarter of UK workers have a side hustle, and figures from the Centre for Economics and Business Research[3] show that the number of side hustles in the UK has risen by 32% over the last decade. It's popular amongst those aged 25 to 34, and attractive to women who might be thinking about a career change at some point and want to explore their options.

[2]Henley Business School, 2018
[3]CEBR, Nov 2018

Are the best things in life really free?

Fashion designer Coco Chanel is reputed to have said, *"The best things in life are free. The second-best things are very, very expensive."*

Many of life's most exciting and memorable experiences can come with a hefty price tag attached. Recent research[4] has calculated that going to university, buying a house, getting married, having two children, then retiring, could on average add up to more than £560,000 over the course of a lifetime.

Setting achievable goals

It's often said that the key to meeting financial goals is to identify what you want to get out of life. For instance, whilst you might love to eat out several times a month; saving for a holiday of a lifetime, or enjoying a comfortable retirement, might mean cutting down on these nights out.

Most of us have multiple financial goals that will span our lifetimes, and it can seem difficult to keep them all on track.

This is where it pays to take financial advice. We will be able to assist you in putting together a financial plan that addresses both your short and longer-term financial aspirations.

Set simple objectives

As a starting point, everyone needs to have some money put away for emergencies like an unexpected expense, and this means having some cash that can be accessed quickly. The next step can then be to think about the bigger and more exciting things in life, and have money saved that steadily builds up for the future. Accounts like ISAs can really help and offer valuable tax advantages, and you can invest lump-sums or make regular monthly contributions within annual limits.

Keep retirement planning in view

It's all too easy to think that your retirement will take care of itself, but leaving it to chance might leave you struggling to afford much more than the basics in years to come. The more you can save early on, the longer your money has to grow.

[4]Royal London, 2019

IN THE NEWS...

HMRC urged to simplify tax return procedures

As part of the programme to make tax digital, professional bodies are calling on the government to simplify the process, create a better taxpayer experience and modernise the amendment process. Amendments can sometimes work in favour of the taxpayer, sometimes in HMRC's favour, but a recent survey[5] showed that HMRC could be slow to respond following an initial online confirmation.

Auto-enrolment reaches 10 million workers

Recent data[6] shows that in January, the number of workers automatically enrolled into a workplace pension scheme had reached 10m. The government's next task is to try and reach the estimated 9.3m workers who aren't currently saving into a scheme or did not qualify because of their age.

Homeownership in England at a 12-year high

According to the English Housing Survey[7], there were 14.8m owner-occupied homes in 2017/18, up from 14.4m the previous year. Much of the growth was driven by an increase in the number of first-time buyers who were helped by the cut in Stamp Duty, the government's Help to Buy scheme and the Bank of Mum and Dad.

[5]The Association of Taxation Technicians, Feb 2019
[6]The Pensions Regulator, Feb 2019
[7]English Housing Survey, Jan 2019

Women and pensions

As from November 2018, the State Pension age for women rose to 65, matching the retirement age for men for the first time.

This equalisation of the State Pension age at 65 is the first step towards a rise to 66 for both sexes in October 2020. Many campaigners feel that the accelerated timetable for equalising State Pension age has hit many women hard. The campaign group, Women Against State Pension Inequality (WASPI) has protested outside parliament on numerous occasions.

Preparing for the future

A recent survey[8] has shown that just 54% of women were saving adequately for retirement, with around 18% not saving at all. The report showed that at every stage of life, men outpaced women in the amount they had saved. In around 85% of households, it's the norm for women to take care of the finances and budget for the important things in family life. However, it seems that they aren't always as focused as they should be on building up their pension for the future.

[8]Scottish Widows, 2018

SCAMS – NEW WARNINGS ISSUED

Financial scams are continually being reported in the media and can have a devastating effect on the lives of savers.

Data released by the Financial Conduct Authority[9], reveals there were £197 million of reported losses in 2018. That figure could be substantially higher as this just relates to those frauds that were reported. Many people feel too embarrassed and shocked to reveal what has happened to them.

Despite the recent implementation of the ban on unsolicited phone calls, members of the public are still being urged to remain alert, as scammers are likely to change tack and find alternative ways of making contact.

Spotting the signs

It pays to be wary of anyone who contacts you out of the blue offering a "free pension review". If this happens, then alarm bells should sound. Another sign to look out for is anyone offering to free up your pension pot before the age of 55; this is a common tactic used by fraudsters.

Callers who encourage you to take out a large sum of money, or worse still, the whole of your pension in one go, and want to invest this on your behalf could also be operating a scam. The chances are that what they're offering you is an unauthorised or non-existent investment, meaning that you're highly likely to lose all your hard-earned cash, and wouldn't be eligible for compensation from the Financial Services Compensation Scheme.

Why you should always take advice

If you're thinking of making an important financial decision, it pays to take financial advice. If you receive an unwanted approach from an unknown caller about your pension, you can report it to the Information Commissioner's Office.

[9]FCA, Feb 2019

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Advice for new mums and dads

Becoming a parent is an exciting time that brings with it lots of new responsibilities.

Mums and dads can often find their time entirely taken up with looking after the new addition to their family. However, it makes sense to think about protecting your family and saving for their future too.

Protecting what's important

Parents want to do what's best for their children, but many overlook putting insurance plans in place that would pay out if the worst was to happen to either of them. It may be an uncomfortable topic to discuss, but no-one would want to leave their family struggling financially. The monthly cost of a protection plan is a lot less than many people imagine and worth it for the peace of mind.

Saving for their future

Having a sum of money saved for them gives a child a good start in life. A Junior ISA is a tax-free savings scheme that enables parents, family members and friends to put money aside either into a cash and/or a stocks and shares account for a child's future. The allowance for the 2019-20 tax year is £4,368. On their 18th birthday, the young adult can access their savings.

The value of investments can go down as well as up and you may not get back the full amount you invested

IS IT TIME TO TALK TO YOUR FAMILY ABOUT MONEY?

Being open about wealth and discussing matters with those close to you can seem a step too far for many families. However, these days family finances can often be closely intertwined. The rise of the Bank of Mum and Dad has shown that many parents and grandparents want to pass on wealth during their lifetimes, rather than waiting until they die.

For the older generation, talking to us about big financial decisions such as whether to downsize or remortgage, how much support to give children towards their education or the deposit for a property, can help ensure the right financial plans are in place to safeguard each generation's financial interests.

Overcoming the taboos

It's not uncommon even today for married couples not to know how much money their spouse earns. Wealthy parents can sometimes shy away from letting their children know too much about their wealth, in an effort to prevent them becoming complacent about what they might inherit in the years to come, and losing their work ethic. Naturally older people don't always want to dwell too much on the future, finding it difficult and distressing to raise issues like death and inheritance with their loved ones.

However, discussing wealth matters with your family and your financial adviser can help establish priorities, clarify goals and ensure that plans are put in place to support each generation according to their financial needs.

We are increasingly being asked to help plan family wealth holistically, not least because we offer sound practical advice in an objective way. If you'd like us to help your family, then please do get in touch.

Stay out of the dog house

From time to time you may have seen reports in the financial pages of the newspapers mentioning 'dog' funds. You may have wondered what the term means and be concerned about what you should do if you find you're invested in one of these funds.

What a dog tag means

Put simply, a 'dog' fund is one that is deemed to be poorly performing. All investment funds fall into sectors – for example, UK smaller companies or global emerging markets. Classifying them under these headings means that it's easier to make meaningful comparisons. They can be compared both against each other and against the average performance for all the funds in that sector. If a fund is consistently showing as being 10% below the sector average, then it can earn the 'dog' tag.

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Keeping a close eye on the performance of your assets will mean that under-performing funds can be identified quickly and monitored. If necessary, changes will be made to your portfolio.

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Who will care for the carers?

It's estimated that over seven million people in the UK[10] act as carers for other people, helping them with personal care, shopping and other household tasks, taking them to and from medical appointments and generally looking after their welfare, often daily. The practical and emotional support they provide can have a big impact on the independence and quality of life of those being cared for.

Carers have little protection

A survey[11] from a major insurer has highlighted that more than seven out of 10 of those who care for family members or other people, do not have any protection policies in place. This could mean that those they look after might not receive the care they need if they were to fall ill themselves.

Only about three in 10 of those looking after family or community members have life insurance (28%), and only 12% have critical illness cover. If you would like to know more about the costs and benefits of protection policies, get in touch.

[10]Carers Trust
[11]Scottish Widows, April 2018

WHAT BEREAVED SPOUSES NEED TO KNOW ABOUT INHERITING ISAs

Anyone whose spouse or civil partner died on or after 3 December 2014, is eligible for a one-off additional ISA allowance. This is achieved by what is called an 'Additional Permitted Subscription' (APS), and is in addition to the normal ISA allowance. The APS is equal to the value of the ISA on the date of death, if the investor died before 6 April 2018. However, if the investor died on or after 6 April 2018, their ISA will become a continuing ISA. This means the APS is equal to the higher value of the ISA on the date of the investor's death, or the value of the ISA on the date it stops being a continuing ISA (completion of estate administration / third anniversary of date of death / all funds withdrawn). The surviving spouse will therefore have the option of the highest value APS.

Research[12] shows that, by not claiming their APS, six out of seven bereaved partners could be paying tax unnecessarily on ISA savings they inherit.

Claiming your APS

You can use the allowance in one go or as separate lump sums. However, time limits do apply.

[12]HMRC data obtained by Zurich, Jan 2019

Does your pension need a wake-up call?

Whilst many people know that they should save more for their retirement, they manage to keep putting it off and don't check what level of income they are likely to receive when they stop working.

Some people could be sleepwalking their way towards a retirement where money could be tight. A recent survey conducted by Aegon[13] found that less than a fifth of adults aged 55-64 have more than £300,000 in their pensions – the average amount widely considered to be necessary for someone to maintain their current lifestyle.

Get a plan in place

Drawing up a budget that covers your likely spend and setting that against the income you can expect to receive from your pension(s), savings and investments is a good place to begin your retirement plan.

You need to think about the income you're likely to need during the first few years of your retirement, but also plan for a time when you might need to pay for help or care.

The steps we all need to take

It seems that people often put off finding out how much they have saved in their pension because they fear it will be bad news. However, there are some simple, practical steps that can really help, like topping up your contributions whenever your financial circumstances allow, as within limits they attract valuable tax relief. Make sure you know your State Pension age and get a forecast of how much you'll receive.

Carrying out a reality check and scheduling a review with your financial adviser is the best way to keep your retirement plan on track.

[13]Aegon, 2018

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The challenges facing the “sandwich generation”

It’s estimated that there are 1.3m people in the UK who care and provide financial support both for their children and older members of the family[14].

Understandably, this generation feels under pressure to support family members financially, and there’s growing concern that they are doing this at the expense of their own standard of living in retirement.

In this situation, advice can help address the financial needs of each generation and ensure that family wealth is managed tax-efficiently.

[14]ONS, Jan 2019

This generation feels under pressure to support family members financially

FINANCIAL MISTAKES WE CAN ALL AVOID

When it comes to managing our money, it can be easy to overlook the simple actions we should all take. So here are a few mistakes we should try to avoid:

- Not keeping an eye on bank and credit card statements. Checking these can help you budget better and alert you to any signs of fraud
- Letting your mortgage drift. When your current deal is coming to an end, make sure you get professional advice to ensure you get a new cost-effective deal put in place
- Allowing insurance policies to automatically renew. If you do, you could find that your premiums keep going up and up; we can help you find the right deal for your needs
- Not reviewing your pension at regular intervals. Keeping an eye on your pension over the years will help ensure you are on track for a comfortable retirement
- Going it alone at retirement. There are several choices open to you when you retire and getting advice will help you make the best financial decisions for your future.

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Civil partnership bill makes progress

Last June, the Supreme Court ruled that laws banning opposite-sex couples from civil partnerships were in breach of the European Convention on Human Rights.

So, for couples who dislike the idea of traditional marriage but would like full legal recognition of their relationship, the news that opposite-sex couples will soon be able to enter into civil partnerships will be welcomed. This move will address the imbalance that allows same-sex couples to choose, but not mixed-sex couples.

Although no date has been fixed yet, the government is expected to introduce the change during this year as The Civil Partnerships, Marriages and Deaths Bill has passed through the committee stage in the House of Lords. When this private member's bill becomes enacted, it will grant opposite-sex couples the right to form civil partnerships.

What difference will it make?

One of the most significant benefits that civil partnerships bring is that the partners have the same inheritance rights as married couples. The most recent figures from the Office for National Statistics[15] showed that in the UK the fastest-growing family type was cohabiting couples. There were 3.3 million cohabiting families in 2017, more than double the figure in 1996.

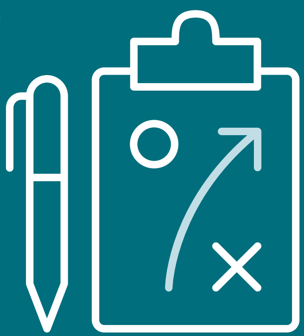
Mistakenly, some cohabiting couples believe they have the same rights as married couples or civil partners. However, whilst marriages and civil partnerships give couples statutory legal protections and responsibilities to each other, the situation isn't the same for those who cohabit, especially when it comes to things like property, Inheritance Tax and pensions. For example, even if a Will is made in favour of a cohabitant, they aren't entitled to the spouse exemptions from Inheritance Tax.

[15]ONS, 2017

PLAN NOW TO MAKE THE MOST OF YOUR TAX ALLOWANCES

The new tax year provides an excellent opportunity to do some simple tax planning. With the annual ISA allowance standing at **£20,000**, and the Junior ISA limit at **£4,368**, it makes sense to make the best possible use of these generous tax breaks.

It's also a good time to check your retirement planning is on track and maximise your use of the tax relief on contributions within the Annual and Lifetime Allowances.



PENSION TAX RELIEF – ARE YOU MAKING THE MOST OF IT?

Pensions are one of the most tax-efficient ways to save for your future. To encourage you to save, you get valuable tax breaks on the contributions you make to your pension – normally at the highest rate of Income Tax you pay. This means 20% relief for basic rate tax payers, 40% for higher rate tax payers and 45% for additional rate payers. (Tax rates and bands differ in Scotland.)

Currently, most savers can pay up to **£40,000** a year into their pension with the benefit of tax relief, so for many people that means they have scope to make additional contributions to boost their savings for retirement. As well as the Annual Allowance, there's a limit to how big your pension can get over your lifetime. Currently, that means that if your pensions exceed **£1,055,000**, you'll face an extra tax charge.

Regular reviews will help you keep on track

Pension rules can seem complicated and confusing, but we are here to help you make the best possible use of the tax allowances available to you.

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