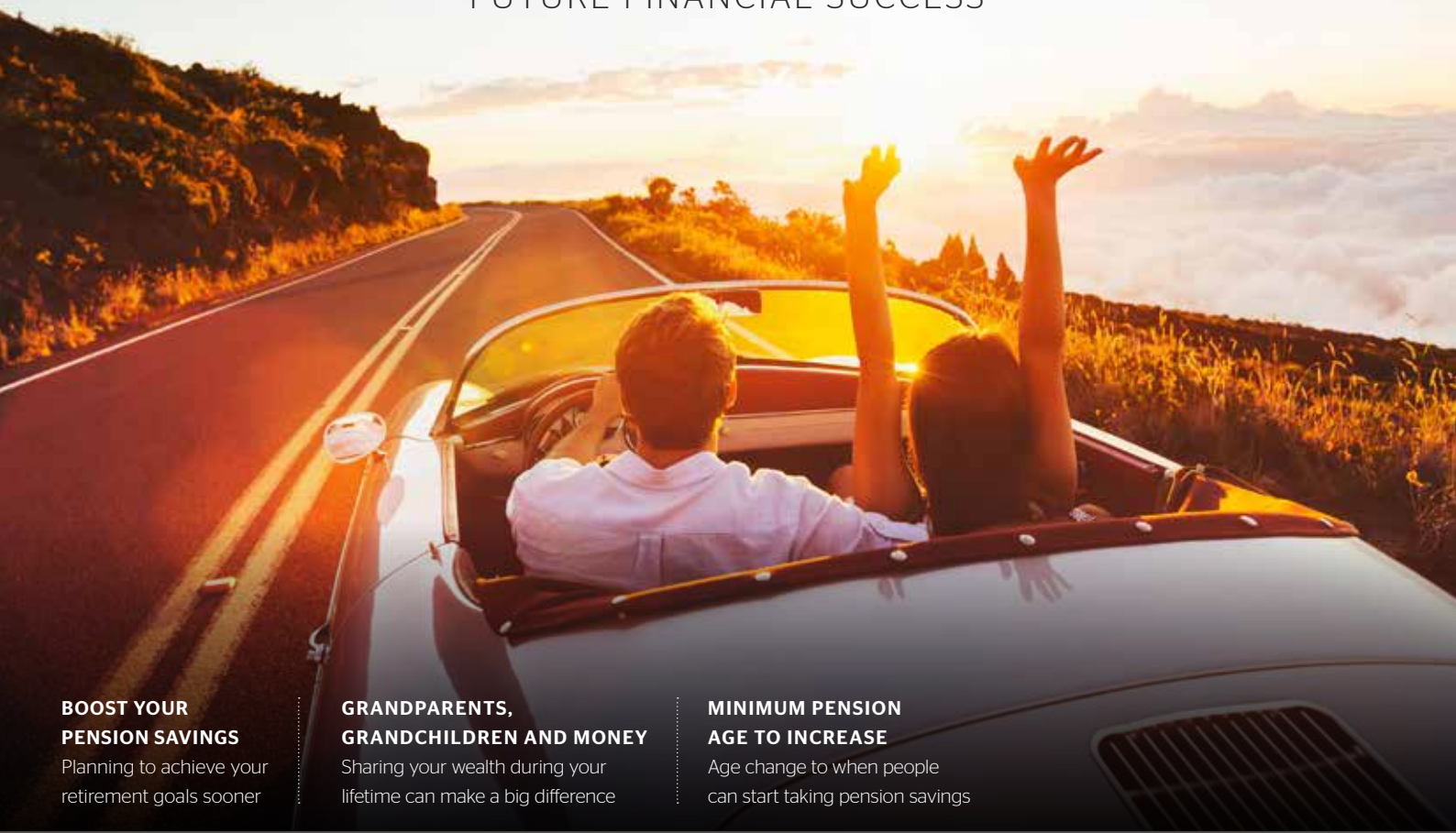
Holistic Financial Leadership

MAY/JUNE 2021

# A New Tax Year, A New Start For Your Finances

## CREATING A ROADMAP FOR YOUR FUTURE FINANCIAL SUCCESS



**BOOST YOUR PENSION SAVINGS**
Planning to achieve your retirement goals sooner

**GRANDPARENTS, GRANDCHILDREN AND MONEY**
Sharing your wealth during your lifetime can make a big difference

**MINIMUM PENSION AGE TO INCREASE**
Age change to when people can start taking pension savings

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# INSIDE THIS ISSUE

**Welcome to our latest edition.** As we enter another new phase in the coronavirus (COVID-19) pandemic, each UK nation has set out a roadmap out of lockdown, a positive sign that we can hopefully start to get back on track both financially and emotionally.

It's always a good time to consider financial planning, but even more so at the start of a new tax year, when you have a fresh set of annual allowances to take advantage of. Tax rules and regulations continually change so it's important to stay up-to-date. On page 06, we look at why now is the perfect opportunity to take advantage of these and align them with your goals.

The government has confirmed that it plans to increase the minimum pension age at which benefits under registered pension schemes can generally be accessed, without a tax penalty, from age 55 to age 57 from 6 April 2028. On page 13 we explain why this announcement may, in particular, have an impact on the timing for taking your pension benefits.

With all of us leading longer lives, you might be considering how you can help your grandchildren when it matters most. On page 09, find out how sharing your wealth during your lifetime can make a big difference and bring you a lot of joy, particularly when helping younger generations who are dealing with rising house prices and university fees.

If you've been diligently saving into a pension throughout your working life, you should be entitled to feel confident about your retirement. But, unfortunately, the best savers sometimes find themselves inadvertently breaching their pension lifetime allowance and being charged an additional tax that erodes their savings. Turn to page 32 to find out more.

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

**WHAT DOES WEALTH MEAN TO YOU?**
Wealth means something different to everyone. Whether you want to invest and build your wealth, preserve and protect your wealth, or access your wealth, please contact us to discuss any specific areas of advice. We look forward to hearing from you.

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

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

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# **Boost** Your Pension Savings

## PLANNING TO ACHIEVE YOUR RETIREMENT GOALS SOONER

**Are you 'mid or late career' or planning to retire within ten years?** If the answer's 'yes', then you probably want to know the answers to these questions: Will I be able to retire when I want to? Will I run out of money? How can I guarantee the kind of retirement I want?

But, for many different reasons, planning for retirement is a commonly overlooked aspect of personal financial planning and this can often lead to anxiety as your age of retirement approaches. We've provided four ways to boost your pension savings and help you achieve your retirement goals sooner.

### REVIEW YOUR CONTRIBUTIONS

Sometimes the simplest solutions are the most effective. If you want to boost your retirement savings, the simplest solution is to increase your contributions. You may think you can't afford to, but even a slight increase can make a big difference.

For those lucky enough to receive a pay rise in line with inflation every year, increasing your pension contributions by just 1% could add thousands to your eventual pension pot. The reason why a relatively small increase in pension contributions can result in such a large increase in the value of your pension pot is because of the power of compounding.

The earlier you invest your money, the more you benefit from the effects of compounding. Adding more money to your pension pot by increasing your contributions just makes the compounding effect even better.

### REVIEW YOUR STRATEGY

A missed opportunity for many pension holders is failing to choose how their pension is invested. Some people leave this decision in the hands of their workplace or pension provider.

Firstly, you should know that you don't have to hold a pension with the provider your employer has chosen. You can ask them to pay into a different pension, allowing you to choose the provider while considering the type of funds they offer and the fees they charge.

Secondly, many pension providers will give you several options for investment strategies. If you're in the default option, you could achieve higher returns with a different strategy (though this will usually mean taking on more investment risk). Note that this may not be appropriate in all circumstances, particularly if you are close to retirement.

### KNOW YOUR ALLOWANCES

When you save in a pension for your retirement, the government adds tax relief on top of the money you contribute, helping you to grow your savings faster. However, there's a limit to the amount of contributions you can claim tax relief on each year, which is called your 'annual allowance'. It's currently £40,000 (tax year 2021/22), and in some cases may be lower.

If you want to contribute more than your annual allowance into your pension in one tax year (for example, if you've received a windfall and want to put it aside for the future), it's worth knowing that you can use any unused allowance from up to three previous years.

So, if you have £10,000 of unused allowance in each of the past three years, that's another £30,000 you can claim tax relief on this year. The tax relief on this amount would be at least £7,500, depending on your tax band.

### TRACE LOST PENSIONS

Usually, starting a job with a new employer means starting a new pension. And, when that happens, some people may overlook the pension they had with their last employer. As a result, many people have pensions with previous employers that they've lost track of – and rediscovering them can give a huge boost to your retirement savings.

You can trace old pensions by getting in touch with the provider. Look through any documentation you still have from your past employers to see if you can find your pension or policy number. If you can't, you can contact the provider anyway and they should be able to find your pension by using other details, such as your date of birth and National Insurance number.

If you're not sure who the provider is, start by asking your previous employer. ■

### WILL YOU ACHIEVE THE RETIREMENT YOU DESERVE?

When the future is unclear, the thought of retirement may well feel more daunting than exciting. We'll advise you on how to build the wealth you need to achieve the retirement you deserve. Don't leave it to chance – to discuss your requirements, please talk to us.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

# Will Your Pension **Run Out Early?**

## IMPACT ON PEOPLE OPTING FOR EARLY RETIREMENT AS A RESULT OF THE PANDEMIC

**An increasing number of people have been forced into early retirement due to the economic impact of the coronavirus (COVID-19),** with many worried about how they'll make ends meet in the future. Because of the pandemic, we are currently in a challenging economic period. The global economy has taken over ten years to recover from the shock of the last financial crisis.

In a recent survey, the findings showed that 3% of people in the 55-64[1] age group have taken early retirement due to the coronavirus pandemic. And 4% of people in this age group have had to access some of their pension savings to cover living costs because their income has dropped due to redundancy or reduced pay. These percentages may seem small, but they represent hundreds of thousands of people.

### RISKS OF EARLY RETIREMENT

While early retirement may sound like a dream come true, for those with insufficient pension savings it can be a ticking time bomb. Every year of early retirement will have an impact on your pension, in that it represents both a year lost for saving and a year added for spending. Simply put, you'll need to make less money last longer.

Unless you've budgeted carefully and are sure you have enough savings, you could run the risk of your pension running out in your later years. This is an expensive time for many people, due to the cost of financing care, and that can result in unexpected hardship.

### PLANNING FOR EARLY RETIREMENT

If you're planning early retirement, you should consider the following steps:

**1.** Calculate all your savings in different pension pots to find out what your total is.
**2.** Track down any lost pensions from previous employers and add these to your total.
**3.** Check how much of the State Pension you can expect to receive, and from what age.
**4.** Create a budget for your retirement spending, making sure to include any additional future costs you're aware of and a little extra for future costs you're unaware of. Be honest about how much you'll need.
**5.** Make sure that the total you have in pension savings, when combined with the State Pension you'll receive, is sufficient to cover all your future costs.

### ALTERNATIVES TO EARLY RETIREMENT

If your financial situation is forcing you to withdraw from your pension but you're not ready yet to stop saving, there are ways to access your pension that do not affect your annual allowance and therefore allow you to continue contributing at the same rate in the future.

**These include:**

- Taking up to 25% of your savings as a tax-free lump sum (from a defined contribution pension)
- Accessing a defined benefit pension (if you have one)
- Withdrawing a pension pot worth under £10,000 in its entirety under 'small pots' rules
- Buying certain types of annuity

### CAN YOU AFFORD TO RETIRE EARLY?

We know that you work hard for your money, so you should be able to enjoy it as much as possible. When planning for retirement, there are now more choices available than ever before. By understanding precisely what you'll need to get to where you want to be, you can ensure you're prepared for the future.

So when working out if you can afford to retire early, your starting point should be to think about whether your savings and investments will be enough to cover all your outgoings, as well as all your essential living costs and any regular debt repayments you may have to make. ■

**ANSWERING ALL THOSE BIG QUESTIONS**

We can give you more information on any of these options and help you to choose the ones that are best for you. We'll answer all those big questions you might have: When can I retire? How can I make my money last? Should I take a lump sum? To find out more and discuss your options – please contact us.

**Source data:**

*[1] https://www.lv.com/about-us/press/covid-pandemic-pushes-more-than-154000-into-early-retirement*

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# **A New Tax Year,** A New Start For Your Finances

## CREATING A ROADMAP FOR YOUR FUTURE FINANCIAL SUCCESS

**It's always a good time to consider financial planning,** but at the start of a new tax year, when you have a fresh set of annual allowances to take advantage of, you have the perfect opportunity to get your financial affairs in order and align them with your goals.

The UK tax year runs from 6 April to 5 April each year. These dates don't change but tax rules and regulations do change and it is important to stay up-to-date.

### MITIGATING THE COVID-19 ECONOMIC IMPACT

The UK government has accumulated massive deficits while trying to mitigate the economic impact of the coronavirus (COVID-19) pandemic on individuals and businesses.

Essentially, they have three options to try and reduce their debt burdens: implement austerity, including higher taxes, so that the borrowing can be repaid; deliver economic growth so that the debt burden to GDP falls; or allow inflation to erode the real value of the debt.

### MEET YOUR GOALS IN A TAX-EFFICIENT WAY

The good news is that if you start considering the recent and potential tax changes now, you should be able to mitigate some of the adverse effects. Taxes on savings, investments and earnings all come with bands, reliefs, allowances and exemptions.

Financial planning ensures that you take advantage of these by organising your finances to make the most of your money and avoid situations you may not have anticipated. Taxation can affect net investment returns, and maximising your net return will help you meet your financial objectives. There are a number of potential financial planning solutions to help you meet your goals in a tax-efficient way.

### MARCH BUDGET 2021 CHANGES ANNOUNCED

These involve making use of tax allowances each year, assessing investments that suit your tax

/// THE PURPOSE OF CREATING A FINANCIAL PLAN IS TO HELP YOU UNDERSTAND WHERE YOU STAND NOW AND WHERE YOU COULD BE IN THE FUTURE IF YOU TAKE THE RIGHT STEPS. IT'S ABOUT CREATING A ROADMAP FOR YOUR MONEY AND HELPING ACHIEVE YOUR GOALS AND FUTURE WELLBEING.

profile and considering long-term plans for you and your family. This might necessitate some financial restructuring. Business owners will also need to prepare and plan for the changes announced in the March budget.

The Chancellor of the Exchequer, Rishi Sunak, delivered Budget 2021 to Parliament on 3 March. Here are some of the key announcements around tax and financial planning.

**PENSIONS**

Despite predictions that the many tax advantages of pensions could be cut back, they were left untouched. The most significant change was the decision to freeze the lifetime allowance (the amount you can hold in pensions without paying a tax charge) at its current level of £1,073,100 until April 2026.

Pensions still remain one of the most tax-efficient ways to invest, particularly for higher and additional rate taxpayers. In addition to tax relief on what you pay in, any growth is free of UK Income Tax and Capital Gains Tax. And any remaining funds in your pension on death are usually free of Inheritance Tax after your death.

**INDIVIDUAL SAVINGS ACCOUNTS (ISAS)**

The Chancellor left ISA allowances unchanged. Any proceeds from an ISA remain free of UK Income Tax and Capital Gains Tax and, therefore, this is a key consideration in financial planning. As soon as the new tax year started on 6 April, your annual ISA allowance limit was reset.

For the current tax year, savers can contribute up to £20,000 each across the four main types of ISA, which include Cash, Stocks & Shares, Innovative Finance and Lifetime accounts.

**CAPITAL GAINS TAX (CGT)**

Despite proposals to increase CGT, there were no new announcements, other than the decision to freeze the annual tax-free allowance at its previous level of £12,300 until April 2026.

As part of financial planning, it still makes sense to make as much use as possible of the valuable ISA and pension allowances, to ensure your funds are held in the most tax-efficient manner.

**INHERITANCE TAX (IHT)**

Again, no changes were made to the standard nil-rate band of £325,000 and the residence nil-rate band of £175,000, both of which have been proposed to remain frozen until April 2026.

If you're thinking about how you can reduce the Inheritance Tax your beneficiaries have to pay when you die, there are various options you should consider.

**ACHIEVE YOUR GOALS AND FUTURE WELLBEING**

The purpose of creating a financial plan is to help you understand where you stand now and where you could be in the future if you take the right steps. It's about creating a roadmap for your money to help you achieve your goals and future wellbeing.

Putting in place a comprehensive financial plan and keeping it updated will be amongst the most important decisions you ever make. It should include details about your cash flow, savings, debt, investments, insurance and any other elements of your financial life and wellbeing.

**Even if you're in a good position financially, there are various ways that financial planning could help improve your current situation, for example by:**

- improving the growth rate your investments are achieving
- introducing new streams of income
- minimising the tax you pay
- recommending solutions and products you might not be aware of

**AVOID COSTLY FINANCIAL MISSTEPS**

Designed to help secure your financial future, a financial plan seeks to identify your financial goals, prioritise them and then outline the exact steps that you need to take to achieve these goals.

It can also help you avoid costly financial missteps, such as making a risky investment, being subject to an unexpected tax charge or underestimating the liquidity you need, resulting in the forced sale of your assets. But the value of financial planning isn't just limited to the returns you get from it.

**There are also practical and emotional benefits to receiving professional financial advice, for example by:**

- freeing up time spent managing your finances
- reducing the administrative burden on you
- removing financial stress, which could impact on your health
- giving you peace of mind that you're moving in the right direction

**HELPING YOU ACHIEVE YOUR GOALS AT EVERY STAGE OF YOUR LIFE**

Creating a financial plan isn't a static process. It's important to adjust your plan as your life and situation evolve. It's helpful to reevaluate your financial plan after major life milestones, like getting married, starting a new job, having a child, planning for their education, losing a loved one and retirement planning. Everyone has different priorities. To discuss your options, please contact us today to find out more.

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THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAXATION & TRUST ADVICE.

# Retirement Options

## WHAT CAN YOU DO WITH YOUR PENSION POT?

**When the time comes to access your pension,** you'll need to choose which method you use to do so, with options including: buying an annuity, taking income through (flexi-access) drawdown, withdrawing lump sums or a combination of all of them.

There are advantages and disadvantages to each method, and in some cases your decision is permanent, so it's important to ensure that you obtain professional financial advice when considering your different options.

This is a complex calculation that must take into account the growth rate your investments might achieve, the eroding effects of inflation on your savings, and how long your savings will need to last.

**ANNUITIES – GUARANTEED INCOME FOR LIFE**

Annuities enable you to exchange your pension pot for a guaranteed income for life. They were once the most common pension option to fund retirement. But changes to the pension freedom rules have given savers increased flexibility.

You can normally withdraw up to a quarter (25%) of your pot as a one-off tax-free lump sum, then convert the rest into a taxable income for life – an annuity. There are different lifetime annuity options and features to choose from that affect how much income you may receive. You can also choose to provide an income for life for a dependent or other beneficiary after you die.

**FLEXIBLE RETIREMENT INCOME – PENSION DRAWDOWN**

When it comes to assessing pension options, flexibility is the main attraction offered by income drawdown plans, which allow you to access your money while leaving it invested, meaning your funds can continue to grow.

This option normally means you take up to 25% of your pension pot, or of the amount you allocate for drawdown, as a tax-free lump sum, then re-invest the rest into funds designed to provide you with a regular taxable income.

You set the income you want, though this might be adjusted periodically depending on the performance of your investments. You need to manage your investments carefully because, unlike a lifetime annuity, your income isn't guaranteed for life.

**SMALL CASH SUM WITHDRAWALS – TAX-FREE**

This is an important consideration for those weighing up pension options at age 55, the earliest age at which you can take up to 25% of your pension pot tax-free. You should ask yourself whether you really need the money now. If you can afford to leave it invested until you need it then it has the opportunity to grow further.

For each cash withdrawal, the remaining counts as taxable income and there could be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year. With this option your pension pot isn't re-invested into new funds specifically chosen to pay you a regular income and it won't provide for a dependant after you die.

There are also more tax implications to consider than with the previous two options. So, if you can, it may make more sense to leave it to grow so you can enjoy a larger tax-free amount in years to come. Remember, you don't have to take it all at once – you can take it in several smaller amounts if you prefer.

**COMBINATION – MIX AND MATCH**

Of all the pension options, if appropriate to your particular situation, it may suit you better to combine those mentioned above. You might want to use some of your savings to buy an annuity to cover the essentials (rent, mortgage or household bills), with the rest placed in an income drawdown scheme that allows you to decide how much you can afford to withdraw and when.

Alternatively, you might want more flexibility in the early years of retirement, and more security in the later years. If that is the case, this may be a good reason to delay buying an annuity until later in life.

**THE VALUE OF RETIREMENT PLANNING ADVICE**

There will be a number of questions you will need answers to before deciding how to use your pension savings to provide you with an income. These include:

- How much income will each of my withdrawals provide me with over time?
- Which withdrawal option will best suit my specific needs?
- How much money can I safely withdraw if I choose flexi-access drawdown?
- How should my savings be invested to provide the income I need?
- How can I make sure I don't end up with a large tax bill?

**HOW MUCH ARE YOU SAVING FOR YOUR RETIREMENT?**

We can advise on your retirement planning, whether you are in the process of building your pension pot or getting ready to retire. Working closely with you, we will identify what you want from your pension and develop a structure that meets your requirements. To find out more, contact us to discuss your options.

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# Grandparents, **Grandchildren And Money**

## SHARING YOUR WEALTH DURING YOUR LIFETIME CAN MAKE A BIG DIFFERENCE

**With all of us leading longer lives, you might be considering how you can help your family when it matters most.** Sharing your wealth during your lifetime can make a big difference and bring you a lot of joy, particularly when helping younger generations who are dealing with rising house prices and university fees.

After you've determined how much you can afford to give, there's a simple starting point. What exactly do your grandchildren need, and when do they need it?

The right way to give presents for your grandchildren can vary depending on how old they are, and whether you're concerned about turning over a sizeable amount of money to a child who may still be impressionable.

### YOUNGER GRANDCHILDREN

■ **JUNIOR INDIVIDUAL SAVINGS ACCOUNT (JISA)**

If your grandchild is under the age of 18, you might put money into their JISA account. While you won't be allowed to open one on their behalf, you will be able to donate up to their annual JISA limit, which is £9,000 for the 2021/22 tax year.

The benefit of the JISA is that they can't touch the money until they turn 18 – after that, it's theirs to use as they choose. The funds may be stored in cash, invested in securities, or a mixture of both. Investment growth is tax-efficient in a Stocks & Shares ISA, while a Cash ISA's interest is tax-free. If you put money away for 18 years, it might grow into a sizeable amount, but the value of any investment will go up and down.

■ **CHILD'S BANK ACCOUNT**

Alternatively, a child's savings account is a convenient and easy place for families and friends to deposit money for smaller presents. Keep in mind, though, that savers' rates have been poor in recent years and over time, inflation can reduce the value of the savings, because prices typically go up in the future.

### OLDER GRANDCHILDREN

■ **LIFETIME INDIVIDUAL SAVINGS ACCOUNT (LISA)**

If your grandchild is 18 or older, a LISA will be able to assist them in saving for their first home. If they turned 40 on or before 6 April 2017 they won't be eligible. Only first-time buyers can use a LISA to buy property under age 60.

For every £4 saved, the government will add £1 (worth up to £1,000 every tax year until they turn 50 years old). Up to £4,000 a year is eligible for the 25% bonus (they can add more but it won't receive a government contribution).

The bonus is paid every month, so they benefit from compound growth. They can invest in either cash or stocks and shares and this forms part of their overall annual ISA limit, which is £20,000 in tax year 2021/22.

### WOULD YOU LIKE THE REASSURANCE OF SOME CONTROL?

It's understandable to be concerned about giving too much money to grandchildren too young. You might like to have a say in where your money is spent and where it is spread. Putting a gift into trust will alleviate concerns over giving substantial sums to grandchildren before they have reached financial maturity and it can provide grandparents with the leverage they want.

You maintain some control of the assets and to whom and where they are paid as a trustee, and gifts to the trust will lower the estate for IHT. Giving money to your grandchildren may eventually affect the way your estate is taxed, so it's important to obtain professional advice before doing this.

### PLAN AHEAD FOR A BRIGHTER FUTURE FOR ALL

There's a lot grandparents can do today, with a little extra thinking and forward planning, to ensure that the money donated goes towards ensuring a brighter future for your loved ones – when you're still alive to enjoy it. ■

**GIVING YOUR LOVED ONES FINANCIAL GIFTS**

If you're unsure about the best approach for you, talk to us to discuss your options. Please contact us for more information.

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/// THE RIGHT WAY TO GIVE PRESENTS FOR YOUR GRANDCHILDREN CAN VARY

# Sustainability **Matters**

## PLAN FOR A BETTER TOMORROW, TODAY

**Responsible investment is a catch-all term to broadly describe funds that invest to make a positive change,** either to the environment or for society. Within this umbrella term there are four broad investment approaches: ethical exclusion; responsible practice; sustainable solutions; and impact funds.

Increasingly more pension savers are asking where their funds are invested. Many are no longer just concerned about getting the best returns – they also want their money to be used in a way that helps society and the planet. The Department for Work and Pensions (DWP) is currently consulting on improving the governance, strategy and reporting of occupational pension schemes on the impact of climate change.

The growth of Environmental, Social and Governance (ESG) issues – from an increasing awareness of climate change, global responsibilities and social issues to investing in companies that act responsibly and prioritise making the economy cleaner, safer and healthier – is an important consideration for many investors.

**CONSIDERATIONS WITHIN RETIREMENT PORTFOLIOS**

While ESG concerns have been gaining profile in the investment world for many years, there is reason to believe that there will continue to be a big shift toward these considerations within retirement portfolios and the coming transfer of wealth to sustainability-minded Millennials.

Eight out of ten people (83%)[1] think global warming will be a serious problem for the UK if action is not taken, and there is a lack of awareness about the extent to which pension funds are working to reduce the impact of climate change. In the survey, around half (51%) say global warming is 'extremely' or 'very' important to them.

**CATEGORIES OF CRITERIA USED TO ASSESS COMPANIES**

However, there remains a lack of understanding among some savers as to how pension schemes are taking action against climate change. Three-fifths of workplace pension holders (59%) say they don't know if schemes are taking any action; just one in seven (15%) workplace pension holders think schemes are.

ESG refers to the three categories of criteria used to assess companies when investing responsibly: 'E' stands for 'environmental' factors, such as carbon emission and water management; 'S' stands for 'social' factors, such as employee welfare, diversity and inclusion; 'G' stands for 'governance' factors, such as business ethics and corruption.

**PERCENTAGE OF PEOPLE'S WEALTH IN THEIR PENSIONS**

The concept of ESG investing has existed for decades but has grown enormously in popularity over the last five years. While early adopters of this practice were often driven by moral or ethical concerns, over time the financial benefits of ESG investing have become clearer, which has encouraged mass adoption.

ESG investing is becoming increasingly popular, and many investors are choosing ESG funds for their Individual Savings Accounts (ISAs) and general investment portfolios. However, these accounts usually hold a lower percentage of people's wealth than their pensions.

**GREATER TRANSPARENCY AROUND CLIMATE IMPACT**

The survey also found a number of people don't understand what pension schemes do with their money. Little more than two-thirds (68%) of the general population understand that pension schemes invest in a range of companies and other investments, and only one in five (22%) pension holders say they know the types of companies that their pension invests in.

Despite these knowledge gaps, when it comes to pensions there is still strong support for greater transparency around climate impact, in terms of the investments that are made and the way firms operate. Six in ten (62%) people think that pension schemes and other investors should hold those in charge of the companies they invest in to account for their efforts to minimise their impact on climate change.

**BEHAVE IN A WAY THAT HELPS TACKLE CLIMATE CHANGE**

Two-thirds (66%) think investors have a responsibility to encourage the companies they invest in to behave in a way that helps tackle climate change. A similar proportion (65%) think that financial services firms should report on the impact the companies they invest in have on climate change.

Around seven in ten people (68%) say that pension schemes should be transparent about the extent to which they invest in a climate-aware way. Seven in ten (69%) also want financial services firms to be transparent about the impact of their own operations on climate change. ■

**LOOKING FOR MORE FREEDOM OVER HOW YOUR PENSION IS INVESTED?**

Pension holders now have far more freedom over how their pension is invested than many realise. If you would like to ensure your pension is invested according to your preferences, including a preference for ESG investments, contact us for more information.

**Source data:**

*[1] Research was conducted for the Pensions and Lifetime Savings Association (PLSA) by Yonder (formally known as Populus), an independent research agency. They achieved a nationally representative online sample of 2,082 UK adults aged 18+. The fieldwork was conducted between 25-26 November 2020.*

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# It's Good To Talk

## GETTING FINANCIAL HELP DURING THE CORONAVIRUS (COVID-19) PANDEMIC

**The coronavirus (COVID-19) pandemic has not only dealt a blow to the UK economy,** many people and families have unfortunately experienced financial hardship. According to a recent survey, 31% of the population say they are struggling with their finances due to the effects of the pandemic[1].

With the pandemic causing many workers to lose working hours or their jobs, it's more important than ever to know what financial options you have.

### UNDER-35S ARE MOST LIKELY TO BORROW

But the survey shows that the impact is not spread evenly. It appears that people aged 18-35 have experienced the most financial difficulty and are most likely to seek help from others.

During the pandemic, 18-35s have been four times more likely than any other age group to receive financial support from their family or friends. They've also been twice as likely as other age groups to take out a loan to make ends meet.

### PEOPLE AGED 35-55 HAVE BEEN IMPACTED LESS

Those in the 35-55 age group have been less likely to need to borrow than the under-35s, and also less likely to report a worsening of their financial situation than those aged 55-65. But that's not to say that they have it easy. Nearly one in three people in this age group say their finances are worse now.

### PEOPLE AGED 55-65 HAVE THEIR RETIREMENT PLANS DISRUPTED

Many people in the 55-64 age group have had to change their retirement plans. Income from work for one in four of these people has fallen 40%. A rise in unemployment has led to increasing numbers of people taking early retirement, with some relying on their property wealth to fund this.

### OVER-65S ARE SUPPORTING THEIR FAMILIES

Over-65s have been less affected than the general population, with 17% reporting that they are struggling financially. This is likely due to their pension income, which, in a lot of cases, will have remained level. More than one in ten of those aged over 65 say they have offered financial support to family members, which is the highest of any age group.

Before providing help to younger family members, it's important to make sure that you can afford to without affecting your standard of living. Consider how your costs might rise later in life and ensure that you retain enough wealth to cover these additional expenses.

### SUPPORT IS STILL AVAILABLE IF YOU, YOUR FAMILY OR YOUR BUSINESS NEED IT

In response to the impact of coronavirus, the government agreed a raft of measures with providers across a range of sectors to ensure struggling consumers are treated fairly. For those still worried about paying utility bills or repaying credit cards, loans or mortgages due to the impact of coronavirus, support is still available. Visit www.gov.uk.

**People struggling to pay essential bills are encouraged to:**

- **Contact providers:** if you think you might have a problem paying bills, contact your providers to explain the situation and receive help
- **Ask for help if it is needed:** if you are struggling with your bills or credit commitments, free advice is available. Coronavirus has affected the entire nation and many people need support now, even if they never have before
- **Explore payment options:** if you are struggling with bills, it is better to agree a payment plan with your provider/s and keep making regular instalments, rather than cancelling direct debits and letting debt build

**Source data:**

*[1] https://www.lv.com/about-us/press/coronavirus-outbreak-leaves-young-people-turning-to-bank-of-gran-and-grandad*

### HELP AND FINANCIAL SUPPORT

Even though the government has relaxed some of the COVID-19 restrictions, this is still a particularly difficult time for many households across the UK, with some struggling to keep up with bills, loan payments and mortgages. If you would like to discuss your situation, please contact us for more information.

# Minimum Pension Age To Increase

## AGE CHANGE TO WHEN PEOPLE CAN START TAKING PENSION SAVINGS

**The government has confirmed that it plans to increase the minimum pension age at which benefits under registered pension schemes can generally be accessed,** without a tax penalty, from age 55 to age 57 commencing 6 April 2028.

The Treasury is consulting on how best to apply its decision to increase the age when people can start taking their private pension savings. The Normal Minimum Pension Age (NMPA) will increase in line with increases to the State Pension age.

### UNQUALIFIED BENEFITS RIGHT

Members who currently have an 'unqualified right' to access their benefits under a registered pension scheme before age 57 and members of the armed forces, firefighters or police pension schemes will be permitted to retain their existing minimum pension age.

The government is planning to introduce a protection regime which would mean that an individual member of any registered pension scheme (occupational or non-occupational) who has an unqualified right – for example, without needing the consent of their employer or the trustees – under the scheme rules at the date of the consultation to take pension benefits at an age below 57 will be protected from the increase in 2028.

### PROTECTED PENSION AGE

A member's protected pension age will be the age from which they currently have the right to take their benefits. The protected pension age will be specific to an individual as a member of a particular scheme. So an individual could have a protected pension age in one scheme where they have a right to take pension benefits at an age below 57, but for schemes where no such right exists the new NMPA of 57 will apply from 2028.

It will also apply to all the member's benefits under the relevant scheme, not just those benefits built up before April 2028. Individuals with an existing protected pension age under the 2006 or 2010 regimes will see no change in their current protections.

### ASSOCIATED PENSION SCHEMES

In recognition of the special position of members of the armed forces, police and fire services, the government is proposing that, where members of the associated pension schemes do not already have a protected pension age, the increase in the NMPA will not apply to them.

Individuals who do not have a protected pension age who access their pension benefits before age 57 after 5 April 2028 would be subject to unauthorised payments tax charges.

### PENSION TAX RULES ON ILL-HEALTH

There will be no need for individuals or schemes to apply for a protected pension age. This is in line with the approach taken under the existing protected pension age regimes. The government is not proposing to make any changes to the current pension tax rules on ill-health as part of this NMPA increase.

Unlike the protection regime introduced in 2006, where individuals are entitled to a protected pension age in relation to the increase in NMPA from 2028, they will be able to draw benefits under their scheme even if they are still working.

### SCHEME BENEFITS CRYSTALLISED

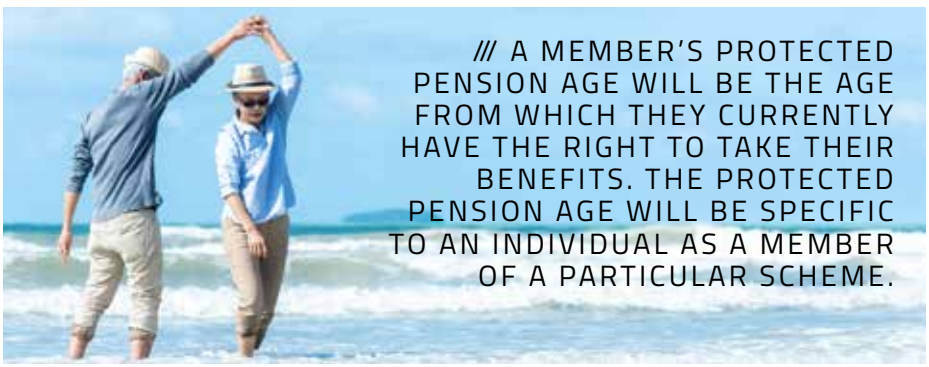
In addition, currently, if an individual wants to use their protected pension age, then all their benefits under the scheme must be taken (crystallised) on the same date. However, considering the pension flexibilities introduced in 2015, the government proposes that this requirement will not be a condition of the 2028 protected pension age regime.

This would mean, for example, that an individual with a defined contribution pension with a protected pension age of 55 would be able to allocate some of their pension to a drawdown fund, and at a later date use the remainder to purchase an annuity, without losing their protected pension age.

### NORMAL MINIMUM PENSION AGE

The government's position remains that it is, in principle, appropriate for the NMPA to remain around ten years under State Pension age, although the government does not intend to link NMPA rises automatically to State Pension age increases at this time.

The announcement means that there is the potential for some people to be caught in the middle, being able to access their pension at 55 prior to April 2028, but having to wait until they turn 57 to access any untouched pension funds after this date where they don't qualify for protection. ■



/// A MEMBER'S PROTECTED PENSION AGE WILL BE THE AGE FROM WHICH THEY CURRENTLY HAVE THE RIGHT TO TAKE THEIR BENEFITS. THE PROTECTED PENSION AGE WILL BE SPECIFIC TO AN INDIVIDUAL AS A MEMBER OF A PARTICULAR SCHEME.

**PLANNING FOR THE RETIREMENT YOU WANT**

This announcement may, in particular, have an impact on the timing for taking your pension benefits. It's never too early to be planning ahead. To discuss how we can help you plan for the retirement you want, please contact us.

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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.

# Steps Towards A **Better Financial Future**

## GROW, PROTECT AND TRANSFER YOUR WEALTH

**Financial planning is a step-by-step approach to ensure you meet your life goals.** Your financial plan should act as a guide as you move through life's journey. Essentially, it should help you remain in control of your income, expenses and investments so you can manage your money and achieve your goals.

Life rarely stands still. Priorities shift, circumstances change, opportunities come and go and plans need to adapt. But regular discussion and reviews are the key to keeping on top of things. This means adapting your plans when things change, to keep you on course.

**1. WHAT ARE MY FINANCIAL GOALS?**

Generally, people's financial goals change as they progress through different life stages. Here are some themes which might help you consider your own goals:

- In your twenties, you may want to focus on saving for large purchases, such as a car, wedding or your first home
- In your thirties, you may be planning for your family, perhaps school fees or your children's future
- In your forties, your focus may move to retirement planning and growing your wealth
- In your fifties, paying off your mortgage and feeling financially free is likely to be a priority
- In your sixties, it is usually about making sure you have enough money to retire successfully
- In your seventies, your attention may turn to inheritance planning and later-life care

Other plans may also include starting your own business, buying a second home or travelling the world. Of course, everyone is different, so you might have a goal in mind we haven't mentioned.

**2. ARE MY GOALS SHORT, MEDIUM OR LONG TERM?**

You are likely to have a mixture of short-term (less than three years), medium-term (three to ten years) and long-term (more than ten years) goals. Moving to a larger property might be a short-term goal, while saving for your children's university fees might be a medium-term goal and retirement planning a long-term goal (depending on your life stage).

You'll need different strategies, and different saving and investment risk levels, for each of these goals.

**3. HOW HARD IS MY MONEY CURRENTLY WORKING?**

If your cash is currently in a savings deposit account, the interest rate you'll likely be receiving is probably not going to be sufficient to keep your money growing as quickly as inflation is rising over the longer term. So your savings could eventually lose buying power in real terms over the years ahead.

If you want your money to grow faster, you might want to consider allocating a portion of your savings towards investments. This may involve more risk than a savings account, but the amount of risk involved will be dependent on you and what you are looking to achieve, so you decide. Obtaining professional advice will ensure you choose investments at a risk level that suits your preferences.

**4. HAVE I PAID OFF MY DEBTS?**

It's not always wise to start investing if you have debts that you need to pay off (excluding long-term debts like student loans and mortgages). That's because overdrafts, credit cards and other short-term debts can charge you more in interest than you could expect to gain in investment returns. In most instances, it will benefit you more in the future to become debt-free before you start to grow your wealth.

**5. AM I MAKING THE MOST OF MY TAX-EFFICIENT ALLOWANCES?**

All UK taxpayers receive certain allowances to help with saving and investing. For example, you may already have an Individual Savings Account (ISA) and be taking advantage of your annual allowance. You also have a capital gains allowance, a dividends allowance and a pension annual allowance. All of these will help you to grow your wealth faster, if you know how to use them.

Tax allowances can be complex though, and they can change without much notice, so if you're not careful you risk an unexpected tax charge. If in doubt, talk us to review your options.

**6. WHAT ARE MY RETIREMENT PLANS?**

A key factor in any financial plan is the date you plan to retire, as that typically marks a turning point from accumulation of wealth built up throughout your working life, to the reduction of wealth as you start to spend your savings and pass your assets on to loved ones. Ensuring that those two elements of your life are well balanced is an important part of the financial planning process. ■

**ARE YOU PLANNING WITH PURPOSE?**

Once you've answered these six questions for yourself, your financial plan will start to take shape. But you might still have more questions about how to reach a particular goal, how to reduce a potential tax bill, how to invest without taking on too much risk, how to pay off your debts or how much money you'll need to retire successfully, in which case we can help. Please speak to us – we look forward to hearing from you.

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# Conscientious Investor

## INVESTING TODAY TO HELP MAKE A BETTER TOMORROW

**In a fast-changing world, sustainability is a growing concern for investors.** Sustainable investing funds position investors to manage the risks associated with environmental, social and governance (ESG) factors, capture the opportunities and contribute to positive change.

The tremendous toll of the coronavirus (COVID-19) pandemic crisis – on health, economic wellbeing and everyday activity – has precipitated a widespread reassessment of the way we live our lives. For governments, businesses and investors, an essential question has been to understand the sources of resilience during this past year and how to build on them to prepare for any future crises.

### INFLUENCING POSITIVE CHANGES

If you're someone who wants to make a positive difference, you might be interested to know how you, your money and the things you care about could all benefit from sustainable investing. At its core, ESG investing is about influencing positive changes in society by being a better investor.

Investment into ESG funds has been growing at an accelerating pace over the last five years. Recent research suggests that 9% of investors currently hold ESG investments[1], with 12% of investors saying they don't currently hold ESG investments but plan to in the next year. 17% say they are likely to make their first ESG investments in 2022 or later. These numbers suggest a snowballing rate of ESG investing adoption over the next few years.

### RESISTANCE TO FUTURE CRISES

As the nation emerges from the COVID-19 pandemic and begins to rebuild the economy, there is the opportunity to rebuild based on new principles. ESG concerns can be embedded in the recovery, to create an economy with more resistance to future crises. Companies are also under growing pressure to report transparently on their ESG-related practices.

More people today understand the increasing importance of responsible investing in investment decisions and it's arguably the most important investment trend of recent decades. ESG strategies factor environmental, social and governance considerations into the investment process, with the goal of generating long-term, sustainable returns for investors.

Responsible investing is about 'doing the right thing', encouraging sustainability and contributing to positive, lasting change.

**Environmental –** Renewable energy, lower carbon emissions, water management, pollution control.
**Social –** Labour practices, human rights, data protection, selling practices, corporate supply chains.
**Governance –** Board makeup, corruption policies, auditing structure.

### APPROACH RESPONSIBLE INVESTING

There's no single, universal way to be a responsible investor, but these factors will enable the growth of ESG funds by giving investment managers more options to invest in, and improved ways to assess and monitor, the ESG rating of an investment.

While ESG investing is an opportunity you might be eager to explore, there are some considerations. Your investments must align not only with your values but also with your growth expectations and risk appetite. As with any approach to investing, you should choose the funds that are right for you and obtain professional financial advice to understand the market you want to invest in. ■

### LOOKING TO BOOST PORTFOLIO PERFORMANCE

It's a common misconception that investing responsibly means accepting lower returns but, increasingly, evidence says otherwise. Adding an ESG criteria could help boost portfolio performance. This investment ethos also delivers benefits beyond the bottom line and recognises that modern-day investment should be a matter of long-term ownership and sound stewardship. Speak to us for more information or to discuss your requirements.

**Source data:**
*[1] OnePlanetCapital 09 March 2021*

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# Retirement Clinic

## ANSWERS TO THE MYTHS ABOUT YOUR PENSION QUESTIONS

**If you are approaching retirement age,** it's important to know your pension is going to finance your plans.

Pension legislation is extremely complex and it's not realistic to expect everyone to understand it completely. But, since we all hope to retire one day, it is important to get to grips with some of the basics.

It's particularly helpful to become aware of the things you may have thought were facts that are actually myths. Here are some examples.

**MYTH: THE GOVERNMENT PAYS YOUR PENSION**

**Fact:** The government pays most UK adults over the pension age a State Pension, which is currently:

- Retired post-April 2016 – max State Pension of £179.60 a week
- Retired pre-April 2016 – max basic State Pension of £137.60 a week (a top-up is available for some, called the Additional State Pension)

Not everyone is eligible for the full amount, which requires you to have at least 35 qualifying years on your National Insurance record. If you have less than ten qualifying years on your record, you'll receive nothing.

Even if you receive the full amount, you'll usually need to supplement it with your own pension savings.

**MYTH: YOUR EMPLOYER PAYS YOUR PENSION**

**Fact:** Most people are automatically enrolled into a workplace pension. Your employer is usually required to pay a minimum of 3% of your salary into it and you must also pay a minimum of 5% of your salary.

If you keep your contributions at the minimum level, it might be difficult to save enough for retirement. As life expectancies grow longer, your retirement can be almost as long as your working life. It's therefore important to put aside a portion of your earnings to create a pension pot that will enable you to receive the income and live the lifestyle you want during retirement.

**MYTH: YOU CAN'T SAVE MORE THAN YOUR LIFETIME ALLOWANCE**

**Fact:** There is a lifetime allowance on the benefits you can access from your pension, which is currently £1,073,100 (tax year 2021/22). That doesn't mean that you can't withdraw any more after that, but it does mean that you'll pay a tax charge of up to 55%. However, there are ways of withdrawing the money with a tax charge of 25%.

**MYTH: YOUR PENSION PROVIDER'S DEFAULT FUND IS SUITABLE FOR EVERYONE**

**Fact:** Most pension default funds will start out with a high-risk strategy and steadily move your capital into lower-risk investments, such as bonds and cash, as you get closer to retirement. This is to reduce volatility in the value of your investments so that you can have a higher degree of confidence in how much you'll eventually end up with.

If you don't plan to purchase an annuity, you don't necessarily need to reduce volatility before retirement. You may be leaving some of your money invested for several more decades, in which case a higher risk strategy may be more appropriate.

**MYTH: ANNUITIES ARE OUTDATED**

**Fact:** There was a time when almost everyone bought an annuity when they retired, and that time has passed because there are now alternative ways to access your pension savings.

But annuities still have a useful role for generating a retirement income and can be an appropriate product for some people. Unlike other pension withdrawal methods, such as drawdown, an annuity offers a fixed income for life, so there's no risk of your money running out. That's a crucial benefit for many pensioners.

**MYTH: YOU CAN'T PASS ON A PENSION**

**Fact:** If you've used your pension savings to purchase an annuity, the income from this will usually cease when you die. But if you have pension savings that you haven't used to buy an annuity (for example, if you've been taking an income through drawdown), what's left can be passed on to a loved one.

If you die before the age of 75 there will usually be no tax to pay by the beneficiary. Otherwise, they will need to pay Income Tax according to their tax band. ■

**LOOK AFTER YOU FUTURE**

There's a whole lot to think about when you're planning for retirement. Is it worth paying into private or workplace pensions? Are you saving enough? Which investments should you choose? All these unanswered questions can make planning feel a little overwhelming. To review your situation or consider your options, please contact us – we look forward to hearing from you.

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# Time To Look At The **'Big Picture'?**

## DISCOVERING THE EMOTIONAL BENEFITS OF FINANCIAL ADVICE

**No two individuals share the same goals or ambitions.** Each person is unique, with their own needs, targets and budgets. So when it comes to managing your money, building wealth, securing your future and, above all else, drawing up an effective plan for fulfilling your investment objectives, professional financial advice should be tailored to your unique specific needs.

A recent survey has identified that around 17 million[1] UK adults have sought financial advice and, as a result, many report experiencing emotional, as well as financial, benefits.

With many people currently coping from rapid changes to their financial circumstances due to the coronavirus (COVID-19) pandemic leading to reduced income or redundancy, let's look at how financial advice can improve your financial situation and your wellbeing.

### FEELING LESS ANXIOUS

Having access to financial advice is strongly linked to feeling more secure and less anxious about money. According to the survey, around 3 in 5 people who have received financial advice report that they feel financially more secure and stable, compared with under half of those who have not received any advice.

Only 1 in 3 people who have received financial advice report feeling anxious about their household finances, compared with over 40% of those who haven't.

### FEELING MORE CONFIDENT

One of the key practical benefits of financial advice is that it gives you access to expertise on topics that are complex. This provides you with more confidence and increased peace of mind. People who have received financial advice report feeling three times more confident about their understanding of financial matters and products than those who haven't.

For example, areas that some people find confusing concern retirement planning and understanding their life insurance and critical illness options. Among those who have not received advice, around 1 in 4 people say they would not know where to start when it comes to the different options available to them. Among those who received advice, that number is fewer than 1 in 12.

### FEELING ABLE TO COPE IN A CRISIS

The COVID-19 pandemic has left many people feeling less stable in their financial situation. 35% of those who have not received financial advice report feeling anxious about their finances, while 65% see the value in being more prepared for unpredictable events in life.

Financial advice helps you prepare, plan and navigate any future shocks or crisis. And while you can experience the benefits of advice after just one meeting, it's essential to receive ongoing advice over the long term as your situation and life goals change.

This means your adviser gets to know you and your background, and can help you adjust to whatever life has in store. Those people who have an ongoing relationship and receive regular financial advice are twice as likely to report feeling in control of their finances as people who do not. ■

**TIME TO DISCOVER MORE ABOUT YOUR FINANCES?**

If you'd like to feel more confident, able to cope and less anxious when it comes to your finances, start that journey today by speaking to us. We look forward to hearing from you.

**Source data:**

*[1] https://www.royallondon.com/media/press-releases/press-releases-2020/september/financial-advice-improves-emotional-wellbeing/*

# Live The Life **You Want**

## HOW MUCH PENSION INCOME WILL YOU NEED FOR A COMFORTABLE RETIREMENT?

**The purpose of a pension is to provide an income for you to live the life you want once you have retired.** But, due to longer life expectancies, less generous schemes and lack of understanding around saving, a common problem is that some people don't retire with enough to last them.

The current life expectancy in the United Kingdom[1] in 2017 to 2019 was 79.4 years for males and 83.1 years for females, while you can access your pension savings from the age of 55, and the State Pension age is currently 66.

### CHANGES TO YOUR LIFESTYLE

The concept of retirement has changed. The idea that we stop working at 65 and then spend our time playing golf and travelling the world is now anachronistic and probably ageist. However, retirement is a challenging new phase in life.

While it ranks high on the scale of stressful life events, it also provides the opportunity to enjoy a new lease of life. A fulfilling and enjoyable retirement will, of course, depend on the age you choose to retire at, your retirement plans and factors that impact your life expectancy, such as your health.

### RETIREES ARE FALLING SHORT BY DECADES

A recent survey of people aged 55 to 64 who have not yet retired found that 25% of this age group are only budgeting for their pension savings to last ten years. Around 10% are only budgeting for their pension savings to last five years[2].

All of these people are risking a significant gap with eventually no income from their retirement savings. While they may be eligible for the State Pension, that will provide less than £10,000 a year to live on.

### INCOME NEEDS TEND TO CHANGE

Perhaps these people have created their budget believing that less than £10,000 a year is likely to cover their needs in later life. They may feel that the first five to ten years are when their spending will be highest, so plan to use their retirement savings during that time.

But this isn't a typical pattern for retirement spending. Often, there is a peak in spending in the first five to ten years, when many people pay off their mortgage or make a big purchase, such as a trip-of-a-lifetime. But there is another peak towards the end of life, when many people may need residential or at-home care, which can be expensive.

### RETIREMENT SPENDING FORECAST

Surprisingly, 80% of survey respondents said they had received no advice on their retirement needs, and more than half of these people had no plans to. Receiving professional financial advice will help you identify and forecast how your retirement spending could change over time, make a realistic budget and determine how many years your current savings may last.

If there is a shortfall, you'll then be able to make the necessary adjustments to ensure you top up any potential savings shortfall before you retire and see how many more years you may need to work for. You can also get a better understanding of where your pension is invested and your options to take an income from it. These factors might affect the income you'll eventually receive, and what you can do about it.

### MAKE SURE YOUR PLANS STAY ON TRACK

If you're not sure if you've saved enough to last throughout your retirement, a simple solution is to seek professional financial advice and get the answers you need. Get in touch today to find out how we can help you. ■

**LOOK AFTER YOU FUTURE**

There's a whole lot to think about when you're planning for retirement. Is it worth paying into private or workplace pensions? Are you saving enough? Which investments should you choose? All these unanswered questions can make planning feel a little overwhelming. To review your situation or consider your options, please contact us – we look forward to hearing from you.

**Source data:**

*[1] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/nationallifetablesunitedkingdom/2017to2019#main-points*

*[2] https://corporate-adviser.com/quarter-of-retirees-risk-exhausting-pension-funds/*

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

# The Golden Years?

## BE BETTER OFF IN RETIREMENT

**Imagine you're retiring today. Have you thought about how you're going to financially support yourself, and potentially your family too, with your current pension savings?** The run-up to your retirement may feel overwhelming, but this is an important time for you and your savings.

Following the pensions reforms, there are now more options available than ever and this has removed the compulsion to purchase an annuity. It also means that you can use your pension fund to benefit your named beneficiaries, whoever they may be.

### BASIC RETIREMENT LIFESTYLE

If you are approaching retirement it's time to think about what you're going to do with the money you've been working hard to save all these years. The average UK pension pot after a lifetime of saving stands at £61,897[1]. With current annuity rates, this would buy you an income of only around £3,000 extra per year from age 67, which, added to the maximum State Pension, makes just over £12,000 a year – just enough for a basic retirement lifestyle.

In more recent years, when it's time to take a retirement income, some people are choosing to do so through pension drawdown. Pension drawdown provides a way to establish a flexible income, set at whatever level you choose, which can be increased or decreased over time to match your needs.

### FLEXIBILITY AND CONTROL

For many, this may seem a more fitting solution to their retirement needs than purchasing an annuity, which is a more established option that typically offers a set monthly income for life. However, although pension drawdown offers flexibility and control, there are differences to consider.

While annuity income is fixed for life, pension drawdown can only continue for as long as you have savings remaining – and once they're gone, you'll receive nothing. So, it's important to receive professional financial advice to ensure that you withdraw your money at a rate that will last your expected lifetime.

/// ITS IMPORTANT TO CONSIDER THAT YOUR RETIREMENT COULD LAST FOR 30 YEARS OR MORE DEPENDING ON WHEN YOU RETIRE AND HOW LONG YOU LIVE. THIS IS WHY SOME PEOPLE USE PENSION DRAWDOWN AS THE OPTION TO PROVIDE THEIR RETIREMENT INCOME.

**WILL YOUR SAVINGS LAST A LIFETIME?**

It's important to consider that your retirement could last for 30 years or more, depending on when you retire and how long you live. This is why some people use pension drawdown as the option to provide their retirement income. Your savings remain invested even after you retire, which means they have the opportunity to continue growing through investment returns.

But it's impossible to predict exactly how much they will grow each year. Some years they will grow more than others, and some years they may fall in value. If your rate of withdrawal exactly matched your growth rate, your savings could last indefinitely. But, because growth is so hard to predict, this is near impossible to do.

**HOW MUCH CAN YOU SAFELY WITHDRAW?**

A 4% withdrawal rate is typically stated as a guide for how much you can withdraw each year from your retirement savings. This figure is estimated based on the history of the financial markets and how much investments have tended to grow over periods of around 35 years (the expected duration of retirement for someone who retires in their sixties).

So, if you have £500,000 in savings when you retire, 4% would initially equate to £20,000 a year.

**However, there are a few additional details that mean this figure can't be used totally reliably:**

- Past performance of the stock markets cannot reliably predict future growth
- The performance of investments in your portfolio may be better or worse than average
- It's impossible to know for sure how long your retirement will last
- Your financial needs are likely to change over time, typically peaking in early retirement and then in later life

**CHANGING PENSIONS LANDSCAPE**

So, a 4% rate of withdrawal could be either overly cautious, resulting in the accumulation of wealth that could create an Inheritance Tax liability, or overly reckless, resulting in complete depletion of your savings when you still have years left to live.

In this world of ours, very little stands still. The same can be said for the pensions landscape. As high earners are faced with even more restrictions and potential pitfalls, it is vital to understand the rules and seek specialist advice. Start talking to us today about your future retirement plans and we can help you make sure it's a resilient one. ■

**BUILDING A BETTER RETIREMENT**

If you're approaching or have already turned 55, you might be wondering what is a good pension pot value to aim for. This will naturally depend on your circumstances. To discuss your requirements, please contact us.

**Source data:**

*[1] https://www.fca.org.uk/data/retirement-income-market-data*

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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.

# Funding Your Child's **Future Lifestyle!**

## EARLY PREPARATION IN LIFE IS KEY TO BECOMING FINANCIALLY INDEPENDENT

**As the coronavirus (COVID-19) pandemic continues into a second year, we're learning more and more about its financial impact.** While many individuals and families are struggling up and down the country, there is a particular strain placed on the parents of adult children.

A recent survey showed that 50% of adults with children over the age of 18 have provided financial help to them due to the pandemic[1]. Children may be staying in the family home for longer, since universities are unable to operate as they usually would, and some young people have decided to postpone their studies.

### YOUNG PROFESSIONAL LIFESTYLE

Those who have finished their degrees, who might usually migrate to city centres for a taste of the young professional lifestyle, are instead moving back in with their parents until this becomes a viable option again.

Young workers who are inexperienced or unskilled may struggle to secure their first job or may be particularly vulnerable to redundancy. Even if they are not living at home, they may have needed to seek support from older family members.

### PROVIDING FINANCIAL HELP

As most forms of entertainment were closed for a significant portion of the last year, many young adults have seen their spending drop. But their costs still potentially included rent, utilities, phone bills, food and petrol. Many also turned to their parents for help to buy equipment they needed to work or study at home, such as computers.

The survey highlighted that some parents who have provided financial help have spent an average of more than £400 a month.

### HIGHER HOUSEHOLD COSTS

Adults over the age of 30 have been less likely to need financial help. 43% of parents with children aged over 30 reported that they were helping them financially, compared to 61% of parents with children aged 18-29.

But the cost of helping someone who is older has been higher. Those parents who have been providing support to the over-30s spent, on average, more than £500 a month. These adult children are less likely to be living with their parents and tend to have higher household costs.

### RANKED BY SPENDING

Some parents have offered far more than the average of around £1,300 in support. The top 2% of parents, when ranked by their spending, have parted with over £3,300 monthly. This includes help with their children's everyday expenses, contributions to savings accounts and pensions, and potentially help to rent or buy a home. Many parents have been prepared to offer this level of financial support to adult children if they've been able to.

If you have found yourself in this position you may need to examine your budget carefully and ensure that your other financial priorities, such as paying off debts or saving for retirement, are not suffering as a result. Preparing your children early in life to be financially independent is essential. If not, your retirement plans may need to include funding your child's future lifestyle! ■

### TIME TO TAKE STOCK OF YOUR SITUATION?

The coronavirus pandemic has impacted both the physical and financial health of many families. If your finances have been blown off course and you would like to take stock of your situation, please contact us to review where you are.

**Source data:**

*[1] https://www.lv.com/about-us/press/1-in-50-parents-spend-over-10k-supporting-grown-up-children-in-pandemic*

# Unlocking **Property Wealth**

## PLAN FOR THE WORST, HOPE FOR THE BEST

**With the rapid changes that have swept the world over the last year resulting from the coronavirus pandemic,** some people aged over 50 are facing a different retirement than they may have been expecting.

Some have less savings than they imagined, some have had to access their savings to supplement their income and some have retired earlier than they had planned.

### FINANCIAL AFFAIRS IN ORDER

For many, the 2020 experience was a taster of what retirement could be like – as well as providing a jarring reminder to people to put their financial affairs in order.

Unfortunately, not everyone has sufficient pension savings to fully recover from these events, which has led some people to look for alternative ways to fund their retirement. One of the options is using their property wealth.

### HOME OWNERSHIP AMONG OVER-50S

People in the UK pay off their mortgage at an average age of 54, according to recent research[1]. The average home value is in the region of £240,000. That's a significant amount of wealth to have tied up in property, particularly for those people who don't have enough cash to cover their everyday expenses.

Downsizing is one option for accessing that wealth, but the research highlighted that more than half of over-50s say they love their home and couldn't imagine moving to another property.

### ACCESSING THE CASH WITHOUT MOVING OUT

A second option to make use of property wealth – without the hassle of moving – is through equity release. Equity release can mean either a lifetime mortgage, where a loan is secured against the home and the homeowners are not required to make any repayments during their lifetime, or home reversion, where a portion of the home is sold but the homeowners retain the right to live in it.

Equity release unlocks the value built up in your home as a tax-free lump sum. There's no need to move out and you'll still own your home. With equity release, you don't have to make monthly payments unless you choose to. It's usually repaid when the last borrower moves into long-term care or dies. Equity release also comes with a 'no negative equity guarantee', which means the beneficiaries are not left with a bill.

### DECIDING WHICH OPTION IS RIGHT FOR YOU

Equity release isn't for everyone. 10% of over-50s say it's the option they're most likely to consider if they need more cash in retirement, while 27% say they'll retire later or come out of retirement, and 32% say they're more likely to downsize.

However, 90% of over-50s say they only understand a little about equity release. Some of the common concerns are that they don't want to risk losing their home, that they won't be able to leave an inheritance or that their children will be left with a bill, but these are all misconceptions. ■

### UNLOCKING CASH FROM YOUR HOME

If you're among the people who don't know much about equity release, finding out more could give you an alternative option that you didn't know you had. It could provide a tax-free lump sum that pays for home improvements, provides additional funds during your retirement or helps you support your children and grandchildren. To find out more, please contact us.

**Source data:**

*[1] https://www.sunlife.co.uk/equity-release/equity-release-report-2020/*

HOME REVERSION PLANS AND LIFETIME MORTGAGES ARE COMPLEX PRODUCTS. TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR A PERSONALISED ILLUSTRATION.

EQUITY RELEASE WILL REDUCE THE VALUE OF YOUR ESTATE AND CAN AFFECT YOUR ELIGIBILITY FOR MEANS TESTED BENEFITS.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME.

YOUR MORTGAGE IS SECURED ON YOUR HOME, WHICH YOU COULD LOSE IF YOU DO NOT KEEP UP YOUR MORTGAGE PAYMENTS.

CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT.

# Succession Planning

## PREPARING YOURSELF, YOUR FAMILY AND YOUR BUSINESS FOR THE FUTURE

**The operational demands of running a family business or other closely held enterprise can be all-consuming,** but it's vital that business leaders take the time needed to assess their organisation's business succession planning.

After pouring years of your life into building a profitable business, it's natural that you'll want to pass it on to someone who will take equal care of it, whether that's a member of your family or a buyer. That's why succession planning is so important.

In the context of your business, succession planning is the process that ensures a smooth transition in ownership from you to someone else, so that a new owner can continue to pursue your company's goals.

**WHY IS SUCCESSION PLANNING IMPORTANT?**

A succession plan can help to leave the business without negative repercussions, secure your legacy at the company, ensure a seamless transition to new management and reassure employees and stakeholders.

**WHAT ARE YOUR SUCCESSION PLANNING OPTIONS?**

The three most common options are:

**1. KEEPING THE BUSINESS IN YOUR FAMILY**

You might want to pass on your business to a family member, such as an adult child. While this option has many benefits, the relationships and emotions involved can make objectivity difficult, so it can help to involve an external adviser who can remain impartial.

/// A SUCCESSION PLAN CAN HELP TO LEAVE THE BUSINESS WITHOUT NEGATIVE REPERCUSSIONS, SECURE YOUR LEGACY AT THE COMPANY, ENSURE A SEAMLESS TRANSITION TO NEW MANAGEMENT AND REASSURE EMPLOYEES AND STAKEHOLDERS.

**2. SELLING THE BUSINESS**
It can be difficult to find a buyer with the skill and expertise to run your business, and the inclination to do so. But once you find them, this option can be profitable and strategically successful.

**3. MANAGEMENT BUYOUT (MBO)**
Another option is for your company's managers to become owners by raising the finances together. This can be the best way to ensure continuity of your business's progress towards its goals, as the same team continue to operate it and service customers.

**HOW CAN YOU ENSURE SUCCESSFUL SUCCESSION PLANNING?**
A successful succession plan takes time and dedication. It will be unique to your business. But all good plans involve the following steps:

**GOAL SETTING**
Consider your personal goals and the goals of the business. You may have shareholders or other stakeholders whose goals you must consider.

**TIMELINE PLANNING**
You need to establish the date you're working towards, which may be definite, for example, your retirement at a specific age or indefinite, your eventual death.

**COMMUNICATION**
Keep your employees, customers and clients informed. When people feel 'out of the loop', they get uneasy and you may lose them.

**SEEKING PROFESSIONAL ADVICE**
You'll likely only create a succession plan once. So, to maximise your chances of success, speak to a professional adviser who's helped other businesses create theirs. An expert's perspective provides insights you may not be aware of and keeps your plans on track.

**SUCCESSION PLANNING CHECKLIST**
For a business, working without a succession plan can invite disruption, uncertainty and conflict, and may endanger your future competitiveness. Do you know the answers to these ten questions?

1. Have you defined your personal goals and a vision for the transfer of ownership and management of the company?
2. Do you have an identified successor in place?
3. If applicable, have you resolved the family issues that often accompany leadership and ownership decisions?
4. Does your plan include a strategy to reduce estate taxes?
5. Will there be sufficient liquidity to avoid the forced sale of the business?
6. If succession will one day require the transfer of assets, have you executed a 'buy-sell' agreement that details the process ahead of time?
7. Is there a detailed contingency plan in case you die or become unable to continue working sooner than anticipated?
8. Have you identified and considered alternative corporate structures or stock-transfer techniques that might help the company achieve its succession goals?
9. Have you determined whether you or anyone else will depend upon the business to meet retirement cash flow needs?
10. Have you recently had the business valued and analysed in the same way potential buyers and competitors would?

**DO YOU HAVE A COMPREHENSIVE FINANCIAL PLAN?**
Succession planning is a complex process that draws upon many business disciplines. There are many benefits for companies and owners who plan properly and strategically for an orderly transition of management and ownership. To find out more, please contact us.

# **Peace Of Mind** That You're On The Right Track

## HOW TO PLAN FOR A CONFIDENT RETIREMENT TO LIVE THE LIFESTYLE YOU WANT

**Retirement might seem a long way off but the later you leave planning for it, the less chance you have of achieving the retirement you want.** We all dream of how we'll spend our retirement but that dream looks different for everyone.

Some people want to spend more time with their family, while others want to enjoy long holidays and see the world, or simply wish to be financially independent. No matter what your dreams are, they rely on having sufficient pension savings to achieve them and live comfortably.

### SPECIFIC RETIREMENT GOALS

People who associate confidence with retirement are most likely to have specific retirement goals and know what steps they need to take to reach them. But sadly, some people don't feel confident that they will have enough savings to live comfortably after they retire.

Many people have a fear of outliving their money, but most don't have a clear idea of how much money they need during retirement. It's important to remember that retirement doesn't happen at a certain age, it happens when you have enough money to live on. And having this clear direction and understanding will give you peace of mind that you're on the right track.

### DO YOU FEEL CONFIDENT ABOUT YOUR RETIREMENT?

Pensions can seem complex and overwhelming, and there are many reasons you might lack confidence in your retirement plans.

- You might be worried that you're not saving enough, but don't feel you can afford to save more
- You might feel ready to retire now, but you're not sure if you can rely on your current pension savings to provide enough money for the rest of your life
- You might have experienced a change to your financial situation, including life events such as divorce, and have new concerns about whether you can save enough
- You might have previously felt confident about your retirement plan, but the COVID-19 pandemic has derailed your savings

### DON'T SUFFER A 'HORRIBLE SHOCK'

Research shows that there is a significant difference in how confident people feel about retirement based on whether or not they have spoken to a financial adviser. 65% of UK adults who have obtained financial advice say they do feel confident that they will have saved enough for retirement, compared to only 41% of those who have not[1].

A positive retirement experience begins with a plan designed to help you live life on your terms. Your adviser will ask questions about your finances, personal circumstances and retirement goals, and create a plan that's unique to you and will help you reach the retirement you're aiming for.

### PROVIDING ANSWERS TO YOUR PLANNING QUESTIONS

People who know where they're going and how to get there feel more confident in their retirement plan. Your adviser will be able to answer these key points.

### WHAT DO I NEED TO KNOW?

- How much you need to save for retirement
- How to save tax-efficiently for retirement
- How pensions work
- The type of pension you should choose
- The right amount to contribute to your pension
- How to boost your pension pot
- How your pension should be invested
- How to withdraw money from your pension

**Source data:**

*[1] https://www.lv.com/about-us/press/consulting-a-financial-adviser-is-key-to-feeling-confident-about-retirement*

### NEED TO KNOW ALL YOUR PENSION OPTIONS?

When it comes to financial planning, we listen so that we can fully understand your unique needs. If you don't feel confident about how your retirement looks, don't delay. Speak to us to review your options.

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# Post-Work Income

## HOW MUCH ANNUAL INCOME WILL YOU RECEIVE FROM YOUR PENSION AND SAVINGS?

**Retirement will probably be one of the biggest events you ever go through in your life, so it's not something you'll leave to chance.** But knowing how much you'll need, and how to get there, isn't always easy.

Just four in ten (43%) working 50-65-year-olds who expect to retire know how much annual income they'll receive from their pension and savings, according to new research[1]. During times of economic uncertainty, the importance of seeking expert support about major financial decisions only increases.

### POST-WORK INCOME

The YouGov survey, which questioned 1,935 people aged between 50-65 who expect to retire, also found that women are less likely to know about their post-work income than men (39% vs 46%).

The findings come despite the Financial Conduct Authority (FCA) introducing measures to help people make the most of their pension savings earlier this year. The move followed the regulator's conclusion that those approaching retirement, acting without guidance or advice, were struggling to make informed decisions.

### GEOGRAPHIC DISPARITY

Geographically, the results show significant disparity, with only a third of Londoners (34%) knowing how much they'll receive post-retirement compared to more than half of those in the East of England (52%). Additionally, there is a notable drop in awareness amongst those who are divorced or separated (37%), or never married (34%), compared to those who are married or in a civil partnership (46%).

### 'KNOWLEDGEABLE' ABOUT RETIREMENT OPTIONS

Backing up the FCA's estimate that 100,000 people enter drawdown every year without taking financial advice[2], the study also found that the majority (53%) consider themselves 'knowledgeable' about their retirement options.

More men consider themselves knowledgeable (57%) than women (48%). Across the UK, those in the East of England (60%) are the most confident in their knowledge of retirement options, those in Yorkshire and Humber the least (49%).

### FINANCIAL ADVICE

These findings highlight that not enough people are taking professional financial advice in those crucial few years before retirement. The decisions made at retirement are big ones and have long-term consequences.

Many people spend years accumulating a large amount of money in pensions and other savings, but really don't know what that might mean, how much income they can reasonably expect to receive and how best to take that income. ■

**GIVING YOU PEACE OF MIND**

Understanding the savings you have, and the options you have with those savings, is key. Taking advice can help to give you peace of mind that the choices you make when accessing your savings are right for you. To find out more, please contact us.

**Source data:**

*[1] Research for Standard Life. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,003 working adults aged 50-65, of which 1,935 expect to retire. Fieldwork was undertaken between 18-21 October 2019. The survey was carried out online.*

*[2] FCA proposes rules on investment pathways and other measures to improve retirement outcomes for consumers – https://www.fca.org.uk/news/press-releases/fca-proposes-rules-investment-pathways-and-other-measures-improve-retirement-outcomes-consumers*

# Budget 2021

## WHAT WAS ANNOUNCED IN CHANCELLOR RISHI SUNAK'S SPEECH?

**The Chancellor of the Exchequer, Rishi Sunak,** says he would do 'whatever it takes' during the pandemic, and that he has done and will continue to do so. 'It's going to take this country, and the whole world, a long time to recover from this extraordinary situation,' he told Parliament.

Mr Sunak said he wants to be honest about the government's plans for fixing the public finances, and setting out plans for the future. These are the key Budget 2021 takeaways announced from his Budget 2021 speech on 3 March.

**ECONOMY**

- UK economy contracts by 10% in 2020
- Chancellor forecasts a 'swifter and more sustained' recovery
- 700,000 people have lost their jobs since the coronavirus (COVID-19) pandemic began
- Unemployment expected to peak at 6.5% next year, lower than 11.9% previously predicted

**GROWTH**

- Economy set to rebound in 2021, with projected annual growth of 4% this year
- Economy forecast to return to pre-COVID levels by middle of 2022, with growth of 7.3% next year

**BORROWING**

- UK to borrow a peacetime record of £355 billion this year
- Borrowing to total £234 billion in 2021/22
- Debt levels set to peak at 97.1% of GDP in 2023/24

**PERSONAL TAXATION, INVESTMENTS AND PENSIONS**

- No changes to rates of Income Tax and National Insurance (CPI rise from April 2021)
- Personal Income Tax allowance to be frozen at £12,570 from April 2022 to 2026
- Higher Rate Income Tax threshold to be frozen at £50,270 from 2022 to 2026
- No changes to Inheritance Tax or Lifetime Pension Allowance or Capital Gains Tax allowances until April 2026
- Adult Individual Savings Account (ISA) annual subscription limit for 2021/22 remains unchanged at £20,000
- Annual subscription limit for Junior Individual Savings Accounts (JISAs) and Child Trust Funds for 2021/22 remains unchanged at £9,000

**CORONAVIRUS (COVID-19)**

- Extension to Coronavirus Job Retention Scheme (CJRS) until the end of September
- 80% of employees' wages to continue to be paid by the government for hours they cannot work
- Employers will be asked to contribute 10% in July, 20% in August and 20% in September, as the economy reopens
- Support for the self-employed extended until September
- 600,000 more self-employed people will be eligible for help as access to grants is widened
- Working Tax Credit claimants will get £500 one-off payment
- Minimum wage to increase to £8.91 an hour from April
- £20 increase in Universal Credit worth £1,000 a year to be extended for another six months

**HOUSING**

- Stamp Duty Land Tax (SDLT) holiday on property purchases in England and Northern Ireland extended to June, with no tax liability on sales costing less than £500,000

**TRANSPORT, ENVIRONMENT AND INFRASTRUCTURE**

- Leeds will be the location for a new UK Infrastructure Bank
- The new UK Infrastructure Bank will have £12 billion in capital, with the aim of funding £40 billion worth of public and private projects
- £15 billion in green bonds, including for retail investors, to help finance the transition to net zero by 2050

**HEALTH**

- £19 million announced for domestic violence programmes, funding a network of respite rooms for homeless women
- £40 million of new funding for victims of 1960s Thalidomide scandal and lifetime support guarantee
- £10 million to support armed forces veterans with mental health needs
- £1.65 billion to support the UK's COVID vaccination rollout

**NATIONS AND REGIONS**

- £1 billion Towns Fund to promote regeneration in 45 English towns
- Community groups to receive £150 million to take over pubs at risk of closure
- First eight sites for Freeports in England announced
- £1.2 billion in funding for the Scottish government, £740m for the Welsh government and £410m for the Northern Ireland executive
- 750 UK civil servants to be relocated to new Treasury campus in Darlington

**OTHER ANNOUNCEMENTS**

- Duties on all alcohol frozen for a second year
- No extra duties on spirits, wine, cider or beer
- Eleventh consecutive year fuel duty to be frozen
- £100 million to set up an HMRC taskforce with 1,000 investigators to tackle fraud in COVID support schemes

**BUSINESS**

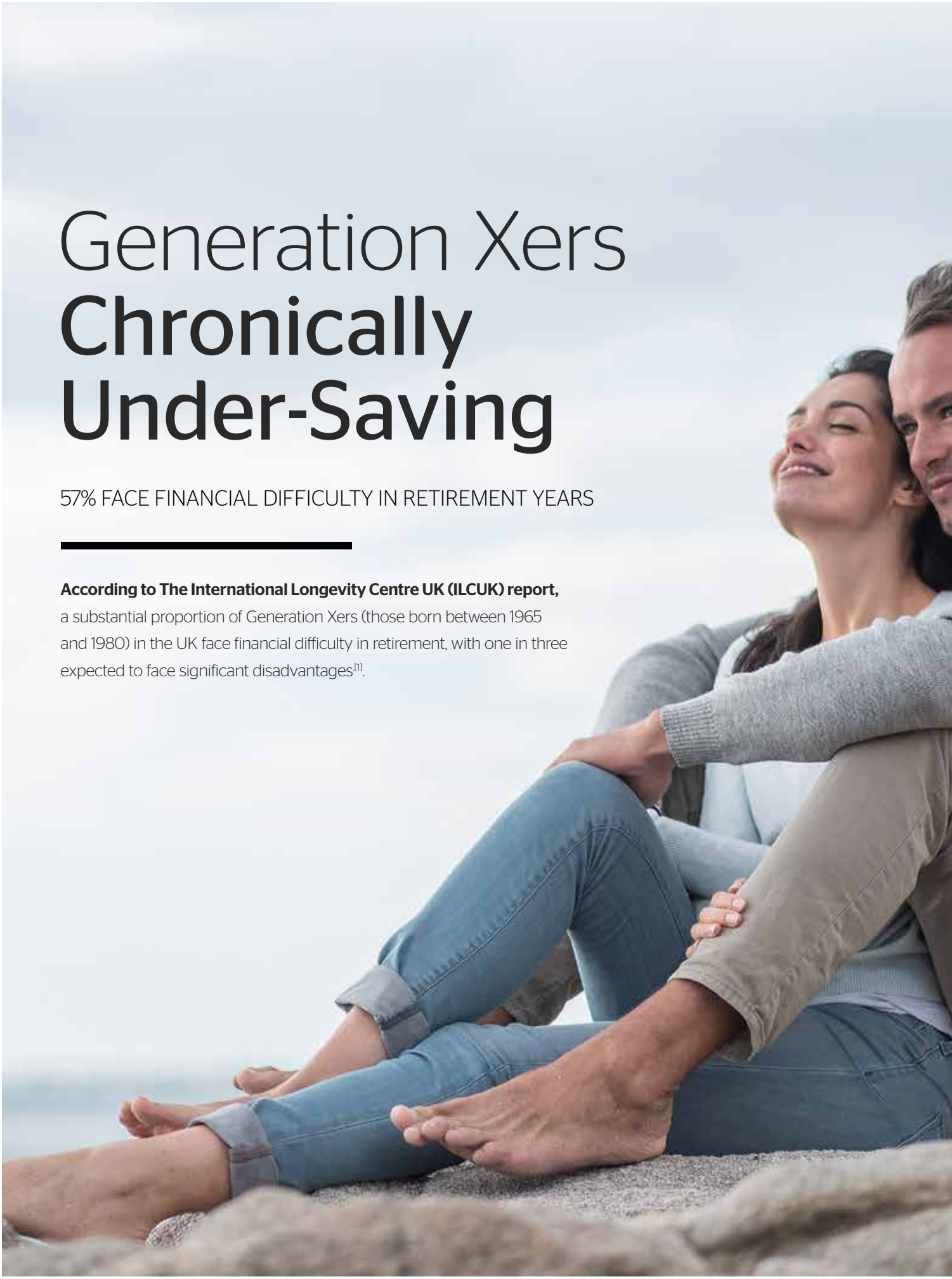
- Corporation Tax on company profits set to rise from 19% to 25% in April 2023
- Corporation Tax rate to be kept at 19% for companies with profits of less than £50,000
- Tax breaks for firms to 'unlock' £20 billion worth of business investment
- VAT registration and deregistration thresholds will not change for a further period of two years from 1 April 2022
- VAT rate for hospitality firms to be maintained at reduced 5% rate until September
- Interim 12.5% VAT rate to apply for the following six months
- Firms will be able to 'deduct' investment costs from tax bills, reducing taxable profits by 130%
- Incentive grants for apprenticeships to rise to £3,000 and £126 million for traineeships
- For firms in England, the business rates holiday to continue until June, followed by a 75% discount
- £5 billion in Restart grants for shops and other businesses that closed due to COVID
- £6,000 grant for premises for non-essential outlets due to re-open in April and £18,000 for gyms, personal care providers and other hospitality and leisure businesses
- New visa scheme to help start-ups and rapidly growing tech firms source talent from overseas
- Contactless payment limit will rise to £100 later this year
- Review of the current 8% bank surcharge to make sure the sector 'remains internationally competitive'

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.

# Generation Xers **Chronically Under-Saving**

57% FACE FINANCIAL DIFFICULTY IN RETIREMENT YEARS

**According to The International Longevity Centre UK (ILCUK) report,** a substantial proportion of Generation Xers (those born between 1965 and 1980) in the UK face financial difficulty in retirement, with one in three expected to face significant disadvantages[1].



/// THE PANDEMIC HAS DISPROPORTIONATELY INFLUENCED GENERATION XERS: THEY ARE THE AGE DEMOGRAPHIC MOST AFFECTED BY THE PANDEMIC, WITH 91,000 MORE ELDERLY ADULTS UNEMPLOYED NOW THAN A YEAR EARLIER. THIS IS A YEAR-OVER-YEAR RISE OF MORE THAN 30%, AND FAR MORE THAN ANY OTHER AGE DEMOGRAPHIC.

Many 40-55-year-olds are reluctant to invest because they are frustrated by various financial stresses, such as coping with fluctuating incomes and balancing conflicting goals like childcare, loans and mortgages.

**MULTIPLE FINANCIAL PRESSURES**

Generation Xers are chronically under-saving, with nearly one in three at risk of reaching retirement with inadequate incomes. The majority (57%) say they want to save more for retirement but they cannot afford to because of multiple financial pressures.

Many are also unaware they are saving too little to achieve the level of income they desire: just 7% of those with a defined contribution (DC) pension are saving enough to achieve a moderate lifestyle in retirement.

**NO PENSION FUNDS**

More than half of those who contribute to DC pensions do so with less than 8% of their wages, and over half have substantial delays in their pension savings of at least ten years.

Of those who are employed, more than a quarter expect to rely on the State Pension for the bulk of or all their retirement money, or have no pension funds at all.

**ADDITIONAL INCOME IN RETIREMENT**

COVID-19 has further disrupted people's retirement plans, with one in five Generation Xers saving less or spending down their savings as a result.

Generation X is a very diverse cohort. Some subgroups in the age band are well prepared for retirement: almost 60% expect to have additional income in retirement, such as property wealth, other investments or savings, an inheritance or income from their partner or family.

**HIGH RISK OF FINANCIAL DIFFICULTY**

But other subgroups are at high risk of financial difficulty in later life, including those on benefits, the self-employed, low earners, renters and carers.

The pandemic has disproportionately influenced Generation Xers: they are the age demographic most affected by the pandemic, with 91,000 more older adults unemployed now than a year earlier. This is a year-over-year rise of more than 30%, and far more than in any other age demographic.

**UNCERTAIN ABOUT RETIREMENT PLANS**

According to the ILCUK study, nearly 40% of Generation Xers are uncertain about retirement plans, and few grasp the rate of investment needed to reach a secure retirement income.

The findings of this report are really worrying and highlight the precarious financial future facing some of those in their 40s and 50s. Increased housing costs, insecure work and caring responsibilities risk leaving many without the savings they need for later life. ■

**MAXIMISE YOUR WEALTH POTENTIAL**

Everyone's situation is unique. This is why a personalised approach is important to help you, and your family, map out your goals and aspirations. Whatever the source of your wealth, there is an opportunity to maximise its potential through professional financial advice. To find out more, please contact us.

**Source data:**

*[1] https://ilcuk.org.uk/slipping-between-the-cracks/*

# Pension Lifetime Allowance

## HOW TO STAY WITHIN THE LIMIT TO AVOID A TAX CHARGE

**If you've been diligently saving into a pension throughout your working life, you should be entitled to feel confident about your retirement.** But, unfortunately, the best savers sometimes find themselves inadvertently breaching their pension lifetime allowance (LTA) and being charged an additional tax that erodes their savings.

If you are a high-income earner or wealthy individual, you could be putting too much into your lifetime pension and risk exceeding the pension lifetime allowance. The following questions and answers are intended to help you avoid this tax charge.

**Q: WHAT IS THE LIFETIME ALLOWANCE?**
**A:** The LTA is a limit on the amount you can withdraw in pension benefits in your lifetime before you trigger an additional tax charge. By pension benefits, we mean money you receive from your pension in any form, whether that's a lump sum, a flexible income, an annuity income or through any other method.

This allowance applies to your total pension savings, which may be in different pensions.

**Q: HOW MUCH IS THE LIFETIME ALLOWANCE?**
**A:** In the 2021/22 tax year, the LTA is £1,073,100. This allowance has now been frozen until April 2026.

**Q: WHAT HAPPENS IF YOU EXCEED THE LIFETIME ALLOWANCE?**
**A:** Once you have received your full LTA in pension benefits, you will be required to pay an additional tax charge on any further benefits you receive.

If you take your remaining benefits as a lump sum, you'll pay a tax charge of 55%. If you take your remaining benefits as multiple withdrawals, you'll pay a tax charge of 25% on each one.

**Q: HOW IS THE USAGE OF YOUR LIFETIME ALLOWANCE MEASURED?**
**A:** Each time you access your pension benefits (for example, by purchasing an annuity, receiving a lump sum or establishing a flexible income), this is recorded as a 'benefit crystallisation event'. There is an additional benefit crystallisation event when you turn 75, and finally, upon your death.

**Q: IS LIFETIME ALLOWANCE PROTECTION AVAILABLE?**
**A:** You can only protect your pension from the LTA if your savings were worth more than £1 million on 5 April 2016. You may be able to protect your pension savings up to £1.25 million, or up to the value of your pension on that date, depending on the type of protection you have.

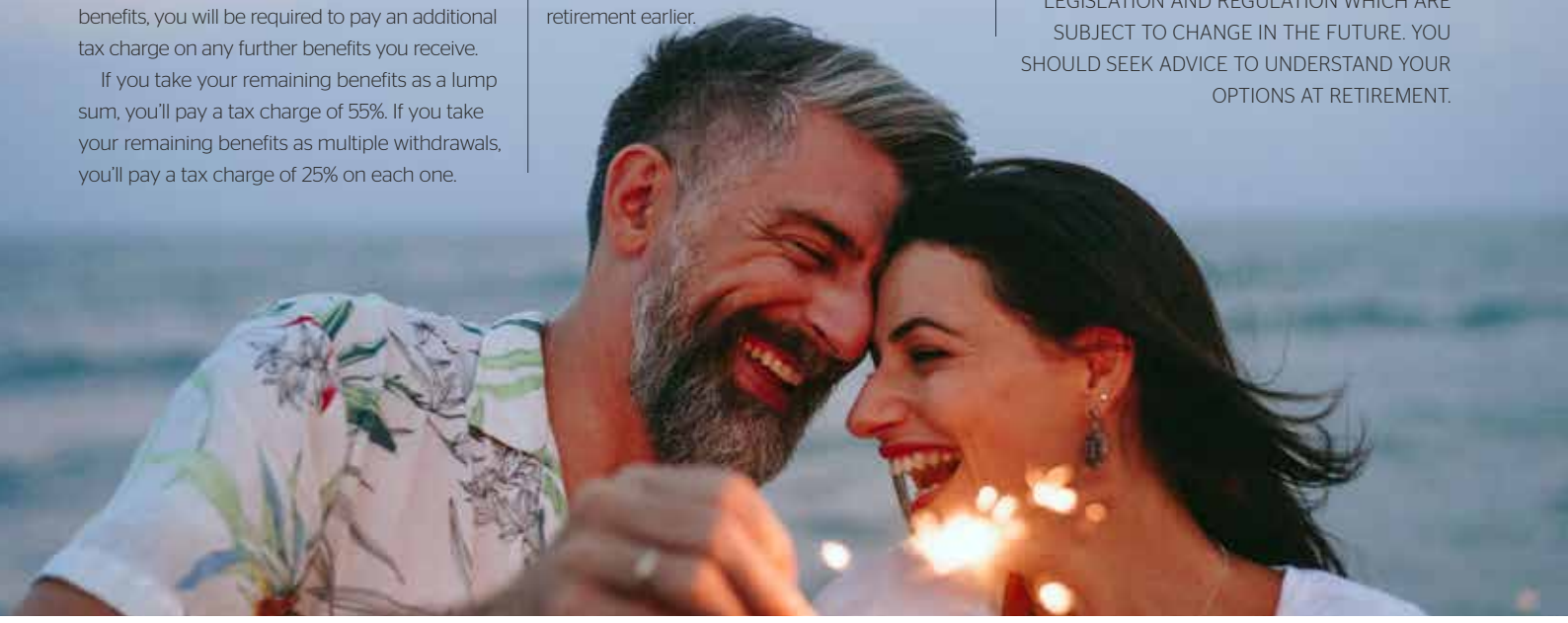
**Q: IS IT POSSIBLE TO AVOID THE LIFETIME ALLOWANCE?**
**A:** If you do not have LTA protection and you are approaching the limit, there are various actions you can consider. These include stopping your contributions (and, instead, investing your money into an alternative tax-efficient environment), changing your investment strategy or starting retirement earlier.

**Q: WHEN SHOULD YOU SEEK PROFESSIONAL ADVICE?**
**A:** The rules around the LTA are very complex and making the right decisions can feel difficult. Receiving professional financial advice will help to identify if you have a problem and offer different solutions to consider, based on a full review of your unique circumstances. ■

**LET US HELP YOU MAKE THE MOST OF YOUR MONEY – AND YOUR FUTURE**
Everyone deserves a great retirement. Your goals and ambitions are unique to you and we want to help you get there. To discuss your retirement plans, please contact us. We look forward to hearing from you.

A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028). THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.



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