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Grosvenor WEALTH MANAGEMENT

SEPTEMBER/OCTOBER 2017

NEW STATE PENSION AGE

How will it affect your retirement plans?

SHOPPING AROUND FOR A BETTER DEAL
Consumers lost £130 million by sticking with the same pension provider in 2016

INVESTING FOR INCOME
How certain innate behavioural traits influence our decision-making

LONG-FORGOTTEN PLANS
Managing your pension savings effectively and efficiently from a single pot

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INSIDE THIS ISSUE

Welcome to our latest issue. Will you be one of the six million workers who will have to work an extra year before retiring after the Government announced that it would be extending the retirement age to 68?

On page 04, we look at the new plans announced in July this year and how they could affect you. A combination of increases in life expectancy and the growing number of retirees relative to the working-age population means that individuals will now have to save harder for their own retirement.

With historic ultra-low interest rates on savings, many investors over the past decade have turned to income-paying funds as an alternative to cash-based savings. On page 08, we consider how our changing life plans and priorities mean we now encounter varying income needs and goals throughout our life and, when investing, how certain innate behavioural traits influence our decision-making.

New research finds consumers could be missing out on thousands of pounds in retirement by not shopping around for their pension product. This means their pension pot may not stretch as far as they hope it will, yet a significant proportion of people expect their retirement income to cover much more than just the essentials. Turn to page 11 to read the full article.

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

To discuss any of the articles featured, please contact us.

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

THE VALUE OF INVESTMENTS AND INCOME FROM THEM MAY GO DOWN. YOU MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.

CONTENTS

FINANCIALLY UNPROTECTED

Dads putting their family's financial security at risk if the unexpected were to happen

WHAT WOULD HAPPEN TO YOU AND YOUR FAMILY IN THE EVENT OF UNFORESEEN CIRCUMSTANCES, SUCH AS THE DIAGNOSIS OF A SERIOUS ILLNESS OR PREMATURE DEATH? WORRYINGLY, RESEARCH FROM SCOTTISH WIDOWS REVEALS THAT MORE THAN HALF (53%) OF MEN IN THE UK WITH DEPENDENT CHILDREN HAVE NO LIFE COVER, MEANING THAT 3.9 MILLION DADS[1] ARE POTENTIALLY PUTTING THEIR FAMILY'S FINANCIAL SECURITY AT RISK IF THE UNEXPECTED WERE TO HAPPEN.

Only 16% of dads have a critical illness policy, leaving many more millions at financial risk if they were to become seriously ill. Fathers are, in fact, more likely to insure their mobile phones (21%) than to insure themselves against serious illness.

More than a fifth (22%) of dads admit their household would be placed at financial risk if they lost their income due to unforeseen circumstances, and 28% say they could only pay their household bills for a maximum of three months. Two fifths (40%) say they'd have to dip into their savings to manage financially, but 42% say that their savings would last for a maximum of just three months.

BASIC LEVEL OF SUPPORT

The research shows that in the event of themselves or their partner dying, 22% of men with dependent children believe they could rely on state benefits to support their family. While this provides a basic level of support, we would firmly advise people to make their own provision for themselves and their families in order to provide peace of mind with the knowledge that there's a financial safety net in place.

Many fathers don't consider having insurance as a necessity, with 18% saying they don't see critical illness cover as a financial priority, 19% saying they don't think they need it and 17% saying they can't afford it.

BEREAVEMENT SUPPORT PAYMENT SYSTEM

With a new Bereavement Support Payment system now in place, it's more important than ever for dads to review their financial protection needs. You may be able to get Bereavement Support Payment if your husband, wife or registered civil partner died on or after 6 April 2017.

It's estimated that 91% of widowed parents will be supported for a shorter period of time (now just 18 months) than they would under the previous system, which could pay out until the youngest child left school, according to research from the Childhood Bereavement Network. In 2014, 70% of claimants were female[2], so it's important that fathers seek advice to make sure their household is covered.

NOT ELIGIBLE FOR BENEFITS

This is especially the case for cohabitees, who are not eligible to claim for bereavement benefits, despite the fact that 21% of couples with children are not married, according to figures from the Office for National Statistics for 2016.

There are many things to consider when looking to protect yourself and your family. Being diagnosed as suffering from a specified illness and the possible loss of income need to be considered as part of an effective protection planning strategy. ◄

DO YOU HAVE APPROPRIATE PROVISION IN PLACE TO PROTECT YOUR FINANCIAL PLANS?

No matter what our personal circumstances, it is vital for all of us to ensure we have an appropriate plan in place to protect our finances, helping avoid the need to dip into our savings, which could present even greater challenges further down the line. If you have any questions or queries, or you'd just like to know more about how to protect yourself and your family, get in touch with us and we'll be happy to help.

Source data:
Scottish Widows' protection research is based on a survey carried out online by Opinium, who interviewed a total of 5,077 adults in the UK between 16 and 27 March 2017.
[1] Percentage of adult population that are fathers with dependents = 735/5077 = 14.48%; 14.48% of adult population of 51,339,000 = 7.4 million; 53% of these don't have cover so 3.9 million
[2] Childhood Bereavement Network submission to the Commons Work and Pensions Select Committee

NEW STATE PENSION AGE

How will it affect your retirement plans?

WILL YOU BE ONE OF THE MILLIONS OF WORKERS WHO WILL HAVE TO WORK AN EXTRA YEAR BEFORE RETIRING AFTER THE GOVERNMENT ANNOUNCED THAT IT WOULD BE EXTENDING THE RETIREMENT AGE TO 68? NEW PLANS ANNOUNCED IN JULY THIS YEAR MEAN THAT THE RISE IN THE STATE PENSION AGE TO 68 WILL NOW HAPPEN IN 2039, AFFECTING PEOPLE BORN BETWEEN 6 APRIL 1970 AND 5 APRIL 1978.

The rise in the pension age will be phased in between 2037 and 2039, rather than from 2044 as was originally proposed. Those affected are currently between the ages of 39 and 47, but the exact date that you receive your State Pension will depend on the year you were born. This announcement is aimed at catching up with years of increasing life expectancy, even if recent indications suggest that growth has slowed.

HAVING TO WAIT A YEAR LONGER

Six million men and women will have to wait a year longer than they expected to get their State Pension, the Government has announced. The announcement was made by the Secretary of State for Work and Pensions, David Gauke.

WAITING FOR FUTURE ANNOUNCEMENTS

The announcement is based on the recommendations of the Cridland report, which proposed the change. The change will affect those born between 6 April 1970 and 5 April 1978. Anyone younger than 39 will have to wait for future announcements to learn what their precise pension age will be.

NO EXCEPTIONAL CHANGES TO THE DATA

John Cridland also said that the State Pension age should not increase more than one year in any ten-year period, assuming that there are no exceptional changes to the data used. This would give those generations affected by changes adequate time to save and plan.

PROTECTED FOR FUTURE GENERATIONS

'As life expectancy continues to rise and the number of people in receipt of State Pension increases, we need to ensure that we have a fair and sustainable system that is reflective of modern life and protected for future generations,' Mr Gauke told MPs.

SAVING HARDER FOR OUR OWN RETIREMENT

The Government has also committed to regular reviews of the State Pension age in the years ahead, which inevitably raises the prospect of further rises. It seems evident that the Government is taking a gradually declining role in supporting retirement income. A combination of increases in life expectancy, and the growing number of retirees relative to the working age population, means that individuals will now have to save harder for their own retirement. ◂

WHERE WILL YOUR RETIREMENT TAKE YOU?

To find out more about the different pensions and savings options you could utilise, or to discuss your requirements, please contact us.

STATE PENSION AGE UNDER THE LATEST PLANS (JULY 2017)

YOUR DATE OF BIRTH	STATE PENSION AGE
After April 6 1978	68
April 6 1970 to April 5 1978	67 years 1 month to 68 years*
April 6 1960 to April 5 1970	66 years 1 month to 67 years*
December 6 1953 to April 5 1960	65 years 3 months to 66 years*

**Depends on exact date of birth*

FAMILY SUCCESSION **PLANNING**

Taking advice early and developing a personal financial plan is crucial to meeting long-term goals

SUCCESSION PLANNING MAY BE ONE OF THE MOST CHALLENGING EXPERIENCES FACING ANY LEADER, ESPECIALLY AN ENTREPRENEURIAL BUSINESS PERSON WHO HAS BUILT A FAMILY BUSINESS FROM SCRATCH, SO IT IS CRUCIAL TO GET IT RIGHT. FOR A FAMILY BUSINESS, TRANSITION IS A ONCE-IN-A-LIFETIME DECISION. PERHAPS NO CHALLENGE HAS AS MUCH POTENTIAL TO EXACERBATE THE SPECIAL STRESSES – OR, CONVERSELY, HIGHLIGHT THE SPECIAL ADVANTAGES – OF OPERATING A FAMILY BUSINESS.

A good succession plan can be the first step in maintaining the strength of an enterprise and the family's prosperity for generations to come. Discussing how a family business should continue beyond the career, or even the life, of the founder can be difficult, as it often crosses business and personal spheres. Issues around succession planning make up four of the top ten worries keeping family business owners awake at night, according to research from Close Brothers Asset Management (CBAM), conducted by Family Business United.

SECOND AND THIRD GENERATIONS

The challenges faced by the second and third generations are substantially different from that faced by the first generation. Also, given that the first generation of business owners are often highly entrepreneurial, they may tend to overlook succession planning until the last moment. This makes the process even harder.

MAINTAINING FAMILY VALUES

A survey of family businesses found that management succession planning was a worry for 39% of business owners, while 35% cited engaging and developing the next generation as a concern. Ownership succession and developing responsible future owners were stated as worries by more than a third (34%) of business owners. The same number also highlighted identifying and maintaining family values as an ongoing concern.

REMAINING A PROFITABLE BUSINESS

The day-to-day running of the business came in as the top worry for family business owners, with 40% saying that continuing to develop and remain a profitable business was a key concern. Personal finances also stood out, with worries about planning for later life highlighted by 38% of owners.

RED TAPE, REGULATION AND LEGISLATION

Outside of family businesses' immediate control, four in ten (39%) business owners said red tape, regulation and legislation were worries. Family businesses employ almost 12 million people[1] and turn over an estimated £1.3 trillion each year, over a third of the turnover of the private sector[2].

FAMILY-OWNED SMALL BUSINESSES

UK Small and Medium-sized Enterprises (SMEs) face a multitude of challenges, and family-owned small businesses can have an especially hard time navigating regulation and adapting to changing policy while remaining loyal to their unique set of family values. All this must be done in addition to running a profitable business.

CRUCIAL TO ALLEVIATING ANXIETY

Succession planning is naturally a significant concern for family businesses and requires careful consideration. Not only must owners consider developing their replacement, and ensure family values are adhered to, but they must also plan for their own retirement. Taking advice early and developing a personal financial plan is crucial to alleviating anxiety and meeting long-term goals. ◂

LOOKING TO DEVELOP A SUSTAINABLE ORGANISATION FOR YEARS TO COME?

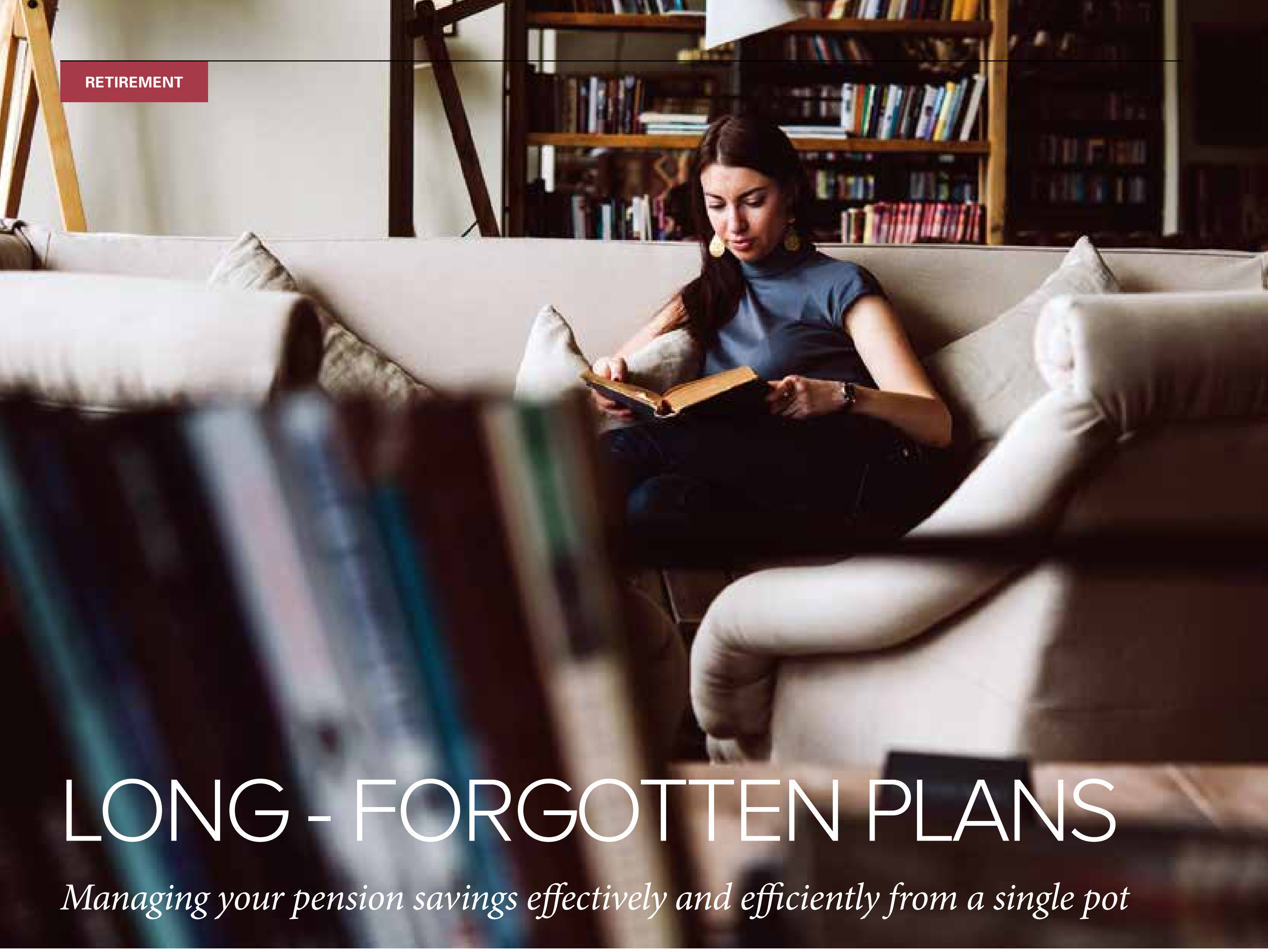
Handing a family business to the next generation is a major process, from selecting and developing the successors to protecting the brand reputation and retaining knowledge. However, the effort is crucial to developing a sustainable organisation for years to come. To discuss your requirements, please contact us for further information.

Top ten worries keeping family business owners awake at night

1. Continuing to develop and remain a profitable business
2. Management succession planning
3. Red tape, regulation and legislation
4. Planning for later life
5. Engaging and developing the next generation
6. Ownership succession and developing responsible future owners
7. Identifying and maintaining family values
8. Extracting value from the business
9. Taxation
10. Developing effective marketing, social media and PR strategies

“A SURVEY OF FAMILY BUSINESSES FOUND THAT MANAGEMENT SUCCESSION PLANNING WAS A WORRY FOR 39% OF BUSINESS OWNERS, WHILE 35% CITED ENGAGING AND DEVELOPING THE NEXT GENERATION AS A CONCERN.”

Source data:
The research was commissioned by Close Brothers Asset Management and conducted by Family Business United in Q4 2015. 173 family businesses were surveyed across the UK.
[1] Figures from Oxford Economics for the Institute of Family Business (IFB)
[2] Figures from research conducted by Family Business United (2015)



LONG - FORGOTTEN PLANS

Managing your pension savings effectively and efficiently from a single pot

IF YOU'VE WORKED FOR TWO OR THREE DIFFERENT EMPLOYERS, IT'S POSSIBLE YOU COULD HAVE A WORKPLACE PENSION FROM EACH OF THEM. YOU MIGHT ALSO HAVE SET UP A PERSONAL PENSION, SO THEY CAN ADD UP QUICKLY.

Pension consolidation lets you simplify your pension arrangements and makes it easier to manage your pension savings effectively and efficiently from a single pot. There is a danger that long-forgotten plans could end up in expensive, poorly performing funds, and the paperwork alone can be enough to put you off becoming more proactive.

EASY TO MANAGE

So, is transferring or consolidating everything into one easy-to-manage pension the way to go? There are advantages to switching your pensions, but there are also pitfalls. The best course of action will depend on what kinds of pension you have and how long you have until retirement.

Having lots of different pensions could mean paying lots of different charges. It also means you've got to think about where you've invested the savings in each of your different pensions to make sure you're keeping an eye on performance. And to get valuations, re-arrange your investments or alter your contribution levels, you'll have to deal with numerous pension providers.

THE PROS AND CONS

Pensions are important, so it's crucial that you take time to understand exactly what you've got and exactly what you'd be giving up when you transfer out of an existing pension.

Before you transfer any pots, you need to be sure that you're not giving up any protected benefits like tax-free cash or low pension age. You should also consider any features your plan has, like guarantees or life assurance benefits.

Remember that what you get back depends on several things, for example, how your investments perform and how they're taxed, and you may get back less than you invested.

If you are considering consolidating your pension accounts, this is a very specialist area, and you should obtain professional financial advice. There are a number of issues to consider before you decide to consolidate. ◂

GETTING IT RIGHT COULD MEAN A HIGHER INCOME

Making the most of your pensions now will have a significant impact on your happiness in retirement; getting it right could mean a higher income, or even an earlier retirement date. If you would like to review your current options, please contact us.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

PLANNING FOR **YOUR RETIREMENT**

Getting ready to slow things down

ONE OF THE CRITICAL ASPECTS OF RETIREMENT PLANNING IS HOW YOU STRUCTURE YOUR FINANCIAL AFFAIRS TO MAKE SURE YOU HAVE SUFFICIENT MONEY IF AND WHEN YOU STOP WORKING.

Making sure you have enough money in retirement to enable you to spend your time the way you want to, doing those things you always intended to do, is likely to be at the heart of planning for your retirement.

TOO COMPLICATED TO THINK ABOUT

People surveyed for BlackRock's Investor Pulse survey stated that their biggest financial priority was 'funding a comfortable retirement'. Yet many people spend more time planning their holiday than their own retirement – perhaps because planning for retirement seems too complicated to think about?

DON'T KNOW WHERE TO START

We are all living longer, the State Pension Age is increasing and pensions legislation is ever-changing. Understandably, we want an active, comfortable retirement but often don't know where to start the savings process. If confusion and a lack of understanding around your retirement needs have led you to put off planning and saving anything, you're not alone. In fact, over half of people in the UK are in the same position.

You can start now though. Planning will help you think about the changes you could make and enable you to take steps towards securing a better future. ◂

HOW CLOSE ARE YOU TO ACHIEVING YOUR RETIREMENT GOALS?

We will help you understand your own situation using our expertise, because only then can you start to talk about what you want and need in order to form your retirement goals. When we know these, we can identify how close or not you are to achieving those goals based on your current planning. Don't leave it to chance – contact us to discuss your requirements.

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Step 1 – Target

Know what you need – set yourself a target.

The closer you are to retirement, the more likely you are to know how much income you will need to cover your outgoings. If you have longer to go until retirement, it is still good to have an idea of what you are aiming for – and you can review this each year as you get closer.

Step 2 - Plan

Know what you already have.

The second step is simple – understanding what you have already saved. Knowing what you already have will help you to understand how far you are towards your retirement target. If you have a lot of different pensions, it may be worth considering bringing those all together into one account if appropriate.

Step 3 - Action

What you need to think about.

- Are you paying in the right amount?
- Are you invested in the right kind of fund?
- When can you realistically retire?

Don't put off planning for retirement. By following these simple steps and reviewing your retirement plan at least once a year, you are planning for a better future.

> THERE ARE VARIOUS WAYS IN WHICH CAPITAL CAN BE USED TO GENERATE INCOME. EACH HAS ITS PROS AND CONS AND FOR MOST PEOPLE THE IDEAL SOLUTION, WHERE POSSIBLE, IS TO SPREAD MONEY AMONG SEVERAL DIFFERENT TYPES OF INVESTMENTS, PROVIDING A BALANCE AND DIVERSIFYING RISK.

INVESTING FOR INCOME

How certain innate behavioural traits influence our decision-making

WITH HISTORIC ULTRA-LOW INTEREST RATES ON SAVINGS, MANY INVESTORS OVER THE PAST DECADE HAVE TURNED TO INCOME-PAYING FUNDS AS AN ALTERNATIVE TO CASH-BASED SAVINGS. CHANGING LIFE PLANS AND PRIORITIES MEAN WE NOW ENCOUNTER VARYING INCOME NEEDS AND GOALS THROUGHOUT OUR LIFE AND, WHEN INVESTING, CERTAIN INNATE BEHAVIOURAL TRAITS WILL INFLUENCE OUR DECISION-MAKING. FOR MANY PEOPLE SEEKING TO GENERATE INCOME FROM SAVINGS, THE TEN YEARS SINCE THE FINANCIAL CRISIS IN 2007/08 HAVE BEEN A MAJOR CHALLENGE.

SEEKING INCOME

Our reasons for seeking income tend to shift throughout life. Shorter-term goals, such as supporting a business start-up or funding children's education, may be a priority in earlier years before making way for a longer-term focus on boosting retirement income and providing an adequate cushion for later life. The key is working out how much income you need at each stage, and then finding an appropriate investment strategy to help you meet your goals.

CLEAR OBJECTIVES

It's essential to work out what you need to achieve and to set clear objectives. Your savings objectives should reflect the aims of your income plan. If you would like to enjoy a reasonable standard of living in retirement, for example, a useful rule of thumb is to try to save enough to provide an income of between half and two thirds of your final salary. While some of your expenses may fall when you stop working, such as the cost of commuting and servicing a mortgage, the retirement years could bring greater spending on utilities and healthcare, among other things.

REDUCE RISK

It's important to aim for an income solution that's truly appropriate for your circumstances, objectives, risk attitudes and capacity for loss, rather than simply sticking to what you're familiar with. Considering a broad range of investments can help you to reduce risk and increase your chances of achieving your objectives.

USEFUL ALTERNATIVE

Interest rates on savings accounts have plummeted. In the UK, bank base rates fell to 0.5% in 2009 and stayed there for seven years until they fell even further, to 0.25%, in 2016. Government and corporate bonds have offered a useful alternative, but overwhelming demand has driven prices up and yields down. Investors in shares have generally fared much better thanks to rising company dividends. Although some companies had to cut back their payouts after the financial crisis, dividends as a whole have risen in recent years.

INCOME CHOICES

There are various ways in which capital can be used to generate income. Each has its pros and cons, and for most people the ideal solution, where possible, is to spread money among several different types of investment, providing a balance and diversifying risk.

BANKS AND BUILDING SOCIETIES

Savings accounts have traditionally been a clear favourite for many people who rely on the interest payments as a supplementary income. Deposits are seen as a secure option because the monetary value of savings does not go down, and there is protection under the Financial Services Compensation Scheme for deposits up to £85,000 in any one institution should they not be able to meet their commitments.

However, interest rates fluctuate so the income from savings accounts cannot be relied upon to remain stable. Not only do the returns depend upon the general level of interest rates (which has only fallen over the last decade), but banks and building societies are also able to apply their own discretion to the interest they pay on their accounts. Rates are often inflated by introductory bonuses which then fall away, typically after a year. Inflation can also erode the value of cash on deposit.

EQUITIES

By investing in equities, savers can back companies which have the potential to pay out significant dividends – a share in the profits – to shareholders. There are many such companies which have historically provided not only reasonable dividends, but a track record of growing profits and consequently improving those dividend payments over time.

It is also possible to grow your original capital if the share price increases in value over the time you are invested, although it may go down as well as up along the way. Investments in equities can be volatile. Their values may fluctuate quite dramatically in response to the results of individual companies, as well as general market conditions.

PROPERTY

In recent years, there has been a growing demand for rented property as the cost of housing has risen. Many investors have profited from the buy-to-let market, buying residential property that they then let out in order to generate a rental income. However, property is not as liquid an investment as some others. There is also the risk of periods without income between lets and the ongoing costs of maintaining the properties.

More significantly, the taxation burden on UK buy-to-let investors and the properties themselves increased in 2016 following a government rule change. There was a sharp increase in stamp duty payable by homeowners purchasing a second home as well as an increase in the level of taxation faced by landlords buying to let. These changes, together with stricter lending criteria imposed by lenders and wider economic uncertainties, stand to make investing in property less attractive than it might have been.

FIXED INCOME SECURITIES/BONDS

A bond is a loan that the bond purchaser, or bondholder, makes to the bond issuer. Governments and corporations issue bonds when they need to raise money. An investor who buys a bond is lending money to the government or corporation.

Like a loan, a bond pays interest periodically and repays the principal at a stated time, known as the 'maturity date'. Certain government securities are regarded as the most secure, though corporate bonds can pay higher rates of interest depending on the deemed creditworthiness of the issuing companies. Over the long term, shares have tended to provide a greater total return, but bonds are generally regarded as less risky. In the event of bankruptcy, a bondholder will get paid before a shareholder.

DO YOU HAVE AN HONEST UNDERSTANDING OF WHAT YOU WANT TO ACHIEVE?

Making use of income investing requires a thorough and honest understanding of what you want to achieve, both personally and financially, and the level of risk you're prepared to take with your money. There are a number of different investments available that produce an income. To discuss your options, please contact us.

PENSION FREEDOMS

Will the new retirement rule of 'no rules' offer people a better financial future?

FOLLOWING PENSION REFORMS, THERE ARE NOW MORE OPTIONS FOR USING YOUR PRIVATE PENSION POT. SINCE APRIL 2015, SOME PEOPLE OVER 55 HAVE GREATER FREEDOM IN HOW THEY CAN ACCESS THEIR PENSION POTS – THE MONEY THEY'VE BUILT UP DURING THEIR WORKING LIFE.

The changes to private pensions affect those in a defined contribution pension scheme. This is one where you build up savings (your 'pension pot') throughout your life to fund your retirement. Before making any decisions, it's important that you consider your options and the impact that your decision could have on your tax bill or benefit entitlements.

WHAT BEST SUITS YOUR NEEDS

If you have a defined contribution pension, you have more options for how to use the money according to what best suits your needs. You are no longer restricted to simply buying an annuity. Instead, you can withdraw some or all of the money as a lump sum.

It's important to obtain professional financial advice before making any decisions, as the options you choose could affect your income, overall retirement savings, benefits entitlements and how much tax you pay.

MOST POPULOUS AGE-GROUP

New population data[1] shows that the new pension freedoms will face their peak test in the coming five years. The most populous age group in the UK today consists of those aged 51 – a total of 945,000 people. This group will gain access to the pension freedoms in 2020. This year will test if the new retirement rule of 'no rules' will offer people a better financial future.

In the tax year 2016/17, 393,000 individuals took advantage of the freedoms across the UK, withdrawing £6.45 billion from their pensions. As the number of people reaching the age of 55 in the coming five years peaks – at 945,000 in 2020 – the pension freedoms will face their greatest test on whether they can offer a sustainable financial future[2].

SERIOUS CONSIDERATION OF FUTURE NEEDS

Recent government research identified that only one in three (34%) people in the 45-54 age group had given any consideration to how many years of retirement they may need to fund[3]. Entering the arena of the pension freedoms without serious consideration of future needs could spell trouble for many savers.

Thursday 6 April 2017 marked two years since the introduction of some of the most radical reforms to UK pensions in a generation. You can only take advantage of the pension freedoms from age 55. Anyone thinking of withdrawing lump sums from their pension fund should consider the impact this will have on future retirement income. ◂

Source data:

[1] www.ons.gov.uk/releases populationestimatesforukenglandand walesscotlandandnorthernirelandmid2016
[2] www.gov.uk/government/uploads/ system/uploads/attachment_data/file/ 610451/Pensions_Flexibility_April_2017.pdf
[3]https://www.ons.gov.uk/peoplepopulation andcommunity/personalandhousehold finances/incomeandwealth/articles/early indicatorestimatesfromthewealthandasset ssurvey/attitudestowardssavingforretirement creditcommitmentsanddebtburdenjuly 2014tojune2016#attitudes-towards-saving-for-retirement

HOW WILL YOU DECIDE ON THE BEST COURSE OF ACTION?

The choices you make for your pension fund can determine the level of income you receive for the rest of your life. For this reason, you should seek professional financial advice and guidance to decide the best course of action to take. For more information, please contact us.

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SHOPPING AROUND **FOR A BETTER DEAL**

Consumers lost £130 million by sticking with the same pension provider in 2016

NEW RESEARCH FINDS CONSUMERS COULD BE MISSING OUT ON THOUSANDS OF POUNDS IN RETIREMENT BY NOT SHOPPING AROUND FOR THEIR PENSION PRODUCT. THIS MEANS THEIR PENSION POT MAY NOT STRETCH AS FAR AS THEY HOPE IT WILL, YET A SIGNIFICANT PROPORTION OF PEOPLE EXPECT THEIR RETIREMENT INCOME TO COVER MUCH MORE THAN JUST THE ESSENTIALS.

Research conducted by the Pensions Policy Institute for LV= has found that, in 2016, there were around 30,000 people who took out an annuity with their existing provider and missed out on additional income by not shopping around. In total, they lost out on an additional £130 million, which equates to on average £4,000 over the course of their retirement[1].

SHOPPING AROUND TO GET THE BEST DEAL

Buying an annuity is a way of turning all your pension savings that you've built up over the years into an income to last you the rest of your life. Since April 2015, you've been able to withdraw as much of the money as you want when you reach age 55, although above 25% it will be taxed as income. Arranging an annuity is a complicated process, so it's important to know what you need to do at each stage. And it's vital that you shop around to get the best annuity rate, as you could miss out on a boost to your income if you fail to do so.

The research also identified that people are increasingly expecting their retirement income to cover more than just the essentials, which means their money needs to work even harder. Nearly six in ten (57%) of those planning to retire in the next five years want their retirement income to also cover home maintenance costs, while 53% want it to cover holidays and a quarter (24%) say they'd like to leave money behind as an inheritance. In addition, one in six (17%) want to be able to use their retirement income to help their children or grandchildren with a property purchase, and 14% would like care costs to be covered as well.

PROFESSIONAL FINANCIAL ADVICE

Taking professional financial advice is the best way for someone to ensure their retirement savings meet all their needs throughout retirement. While some people may not understand the need for advice, the value of it is clear to consumers who have used it. Nearly nine in ten (87%) of those who took advice feel confident they made the right choice about what to do with their money, while three quarters (75%) say financial advice helped get more for their money. Revealingly, one in five (19%) who didn't take financial advice say that even though they don't regret not using it now, they worry that they might regret it in the future.

Last year alone, consumers missed out on a staggering £130 million over their retirement by sticking with the same provider when taking out an annuity. This is echoed across the retirement space with consumers failing to access the best retirement products. People are expecting their pension pot to stretch even further nowadays, so it's crucial they take control and get support to help them make the most of their savings. ◂

MAKE SURE YOU CHOOSE THE OPTION THAT'S RIGHT FOR YOU

If you don't know what to do about your retirement options, let us help. We'll give you the information you need to make an informed decision based on your individual needs. Please contact us to review your situation – we look forward to hearing from you.

Source data:

Methodology for consumer survey: Opinium, on behalf of LV=, conducted online interviews with 2,404 UK adults between 12 and 27 March 2017. Data has been weighted to reflect a nationally representative audience.

Methodology for amount missed out on in retirement: the Pensions Policy Institute (PPI) reported that around 80,000 annuities are purchased each year, of which 52% are purchased from the existing provider. PPI calculated that if 80% of those who purchased an annuity from their existing provider continue to lose around 6.8% of retirement income, that could represent a loss of around £130 million over the lifetimes of those purchasing in annuities in 2016.

[1] LV= calculated that 52% of 80,000 annuities were taken out each year with existing providers, 80% of which would lose out on retirement income, equating to 30,000 people. With 30,000 people missing out on £130 million, that works out at around £4,000 per person throughout retirement.

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION, WHICH ARE SUBJECT TO CHANGE IN THE FUTURE.

LONG -TERM INVESTING

How to fund a fulfilling life beyond our working years

HEALTHIER LIFESTYLES AND MEDICAL ADVANCES MEAN THAT MANY OF US CAN EXPECT TO ENJOY LONGER LIFESPANS THAN PREVIOUS GENERATIONS. HOWEVER, THIS CREATES A SIGNIFICANT CHALLENGE BOTH FOR SOCIETY AS A WHOLE AND FOR US ALL AS INDIVIDUALS – HOW TO FUND A FULFILLING LIFE BEYOND OUR WORKING YEARS.

The projections from the Organisation for Economic Co-operation and Development (OECD) suggest that the average man will live to 83.5 by 2052, while a woman can expect to live to 87.2 years old[1].

The UK General Election brought further uncertainty to markets which are still adjusting to an increasingly uncertain global political landscape. Investors should plan to invest for at least ten years. How can investors protect themselves and keep their long-term goals on track?

CASH ISN'T ALWAYS KING

Some investors think of cash as a safe haven in volatile times, or even as a source of income. But the ongoing era of ultra-low interest rates has depressed the return available on cash to near zero, leaving cash savings vulnerable to erosion by inflation over time. With interest rates expected to remain low, investors should be sure an allocation to cash does not undermine their long-term investment objectives.

Cash left on the sidelines earns very little over the long run. Investors who have parked their cash on deposit are likely to have missed out on the impressive performance that would have come with staying invested over the long term.

COMPOUNDING AND GROWTH

One of the advantages associated with long-term investing is the potential for compounding. When your investments produce earnings, those earnings can be reinvested and can earn even more. The more time your money stays invested, the greater the opportunity for compounding and growth. Keep in mind that while compounding can have a significant long-term impact overall, there may be periods where your money won't grow.

> VOLATILITY IN FINANCIAL MARKETS IS NORMAL AND INVESTORS SHOULD BE PREPARED FOR THE UPS AND DOWNS OF INVESTING, RATHER THAN REACTING EMOTIONALLY WHEN THE GOING GETS TOUGH.

While there are no guarantees, the value of compounded investment earnings can turn out to be far greater over many years than your contributions alone. The difference between reinvesting and not reinvesting the income from your investments over the long term can be significant.

THE LESSON IS: DON'T PANIC

Volatility in financial markets is normal, and investors should be prepared for the ups and downs of investing rather than reacting emotionally when the going gets tough. The lesson is: don't panic. More often than not, a stock market pullback is an opportunity, not a reason to sell.

Market timing can be a dangerous habit. Pullbacks are hard to predict, and strong returns often follow the worst returns. Some investors may think they can outsmart the market – or they let emotions like fear and greed push them into investment decisions they later regret. Even missing a handful of days in the market can have a major effect on an investor's total returns. ◂

IT'S GOOD TO TALK

While markets can always have a bad day, week, month or even a bad year, history suggests investors are much less likely to suffer losses over longer periods. To discuss how much you'd like to invest, how you feel about risk and what your objectives are, please contact us.

Source data:

[1] OECD, Life expectancy links – the quiet revolution in pension policy, 2007.

Published by **Goldmine Media Limited**
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