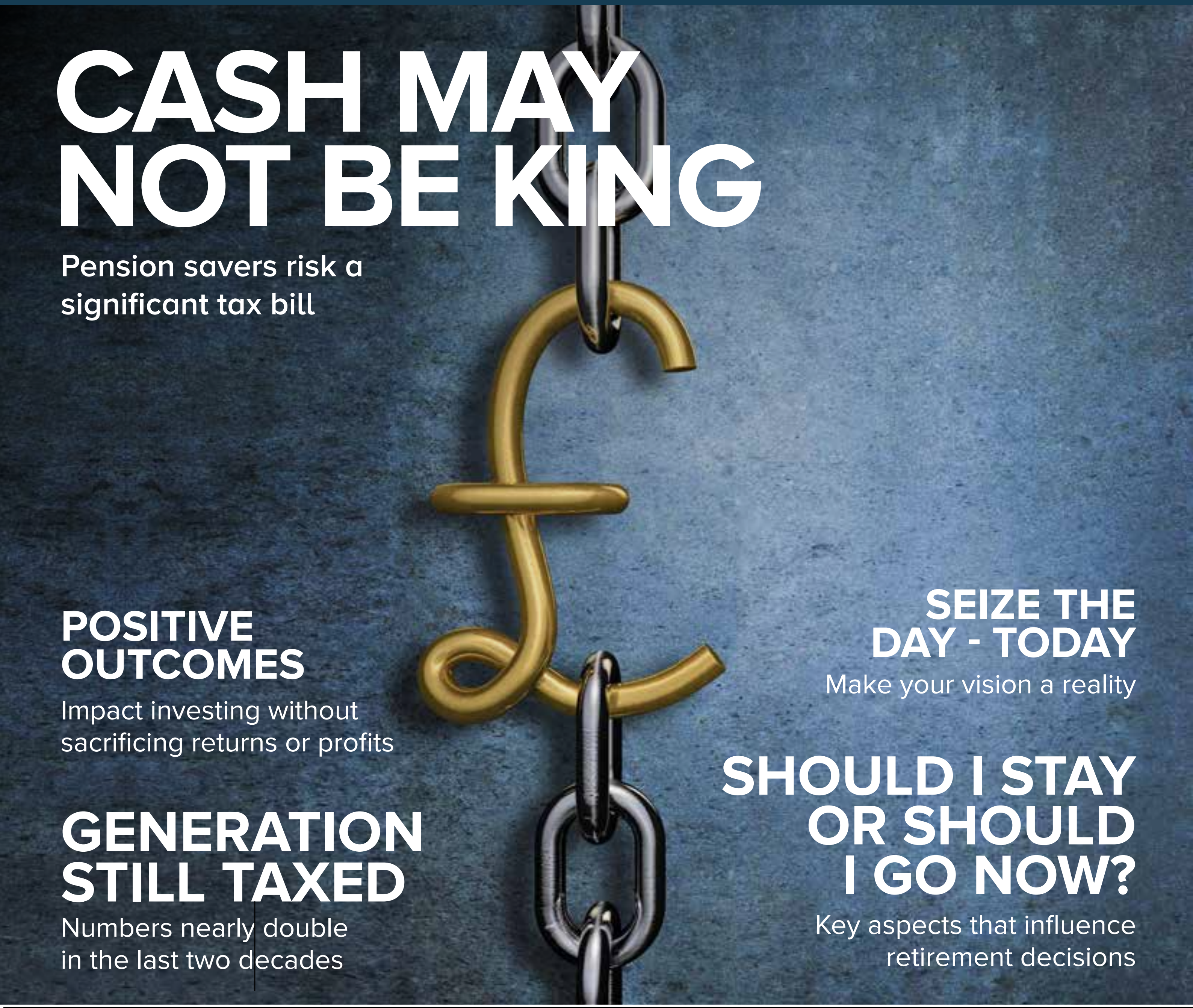
CHAMPAIN

FINANCIAL SERVICES

SEPTEMBER/OCTOBER 2018



CASH MAY NOT BE KING

Pension savers risk a significant tax bill

POSITIVE OUTCOMES

Impact investing without sacrificing returns or profits

GENERATION STILL TAXED

Numbers nearly double in the last two decades

SEIZE THE DAY - TODAY

Make your vision a reality

SHOULD I STAY OR SHOULD I GO NOW?

Key aspects that influence retirement decisions

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COULD YOUR MONEY WORK HARDER?

We focus on achieving and maintaining a thorough understanding of your financial needs and aspirations.

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

CONTACT US TO DISCUSS YOUR REQUIREMENTS.

CONTENTS

INSIDE THIS ISSUE

As the poet and playwright Oscar Wilde once commented, 'When I was young I thought that money was the most important thing in life; now that I am old I know that it is.' And with these pertinent words in mind, inside this issue we look at a number of topics designed to keep you up to date and help you plan to meet any changes in your life and financial circumstances.

For most people over the age of 55, it is now possible to cash in or unlock all of your pension. How you take these benefits will depend on the type of scheme you have and how you want to take benefits. On page 08, we consider the concerns that have been raised that some savers may risk running out of cash if they siphon too much out of their pension pots.

For those looking to make the world a better place but not wanting to sacrifice returns or profits, impact investing aims to support a positive social or environmental impact, as well as looking to achieve compelling financial returns at the heart of sustainable investing. Turn to page 13 to read the full article.

Exactly how much you'll need for a comfortable retirement will depend largely on your cost of living and lifestyle choices. For many people, retirement is about sun-soaked holidays, leisurely rounds of golf and that boat they've always coveted. On page 06, we look at why you need to reassess your own situation.

Also inside this issue on page 28, the number of taxpaying pensioners has nearly doubled over the last two decades. With talk of also requiring pensioners to pay National Insurance on any earnings or even on pensions, the older population may start thinking of themselves as 'Generation still taxed'.

A full list of the articles featured in this issue appears on page 03 and opposite – we hope you enjoy reading them.

We understand that professional advice on financial matters is invaluable to creating a durable wealth management plan for the future. To discuss or review any area of your financial plans, please contact us – we look forward to hearing from you.

CONTENTS

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.

LATER RETIREMENT

Workers extend their careers for a multitude of reasons

When do you plan to retire? Saving for your retirement is a lifelong undertaking – and if you want to enjoy a comfortable retirement, you can't start planning soon enough. The more you contribute to a pension now, the better chance you'll have of that money growing and funding your retirement in later life.

But the proportion of UK employees who say they will work beyond the age of 65 has remained at three quarters (72%) for the second year running, significantly higher than in 2016 (67%) and 2015 (61%), according to latest research[1].

Nearly half (47%) of those who say they expect to work beyond 65 will be older than 70 before they retire, up from 37% in 2017, while almost a fifth (17%) expect to be older than 75. Workers aged 35–44 are most likely to say they expect to retire after their 75th birthday (27%).

EMPLOYEES WORKING FOR LONGER

A series of economic factors are driving employees to work for longer. The rising cost of living is forcing over 20 million into later retirement[2]. In fact, nine in ten (90%) UK employees say that the rising cost of living is the main reason why they expect to work beyond 65, with 87% saying the same of poor returns on savings due to low interest rates.

DIVERSE SET OF WORKFORCE SKILLS

Opinions remain divided about the UK's ageing workforce as it brings a new set of challenges for workers to contend with. Over a third (36%) believe that an ageing workforce might mean that older workers will have to re-train or learn new skills to stay in work, while three in ten (30%) think it could make it harder for young people to move up the career ladder. But more than two fifths (41%) are positive that a mix of older and younger employees creates a workforce with a wider range of skills, which is beneficial for employees and employers alike.

PROMOTING OLDER WORKPLACE EMPLOYEES

This comes as just 6% think the Government is helping to promote older workers, down from one in ten (11%) following last year's announcement of an increase in the State Pension age[3]. So far, only 13% think that employers are encouraging older employees to stay in the workplace, and little more than a sixth (15%) believe that older people are appreciated and respected in the working environment.

Support for older workers in the workplace can come in many different forms, but often the simplest are the most effective. Nearly half of employees (45%) think flexible working or part-time opportunities are most important when it comes to supporting an ageing workforce. Out of those planning to work beyond State Pension age, 60% say that they would be more likely to work for an employer that offered health and well-being benefits.

STIGMA SURROUNDING OLDER WORKERS

The combination of an increase in the cost of living, poor returns on savings and inflation continues to impact the UK's retirement plans. This is the second year in a row that the findings indicate that more than 70% of the country's workforce expect to work beyond the age of 65, and there is no sign that this trend will slow down any time soon.

But even as an older workforce becomes more common, the stigma surrounding older workers is proving hard to shake. Employers now have the opportunity to capitalise on the skills of two or even three generations, but only if they address potential generational divides and the changing needs of their employees. ◀

PREPARATION FOR YOUR FUTURE

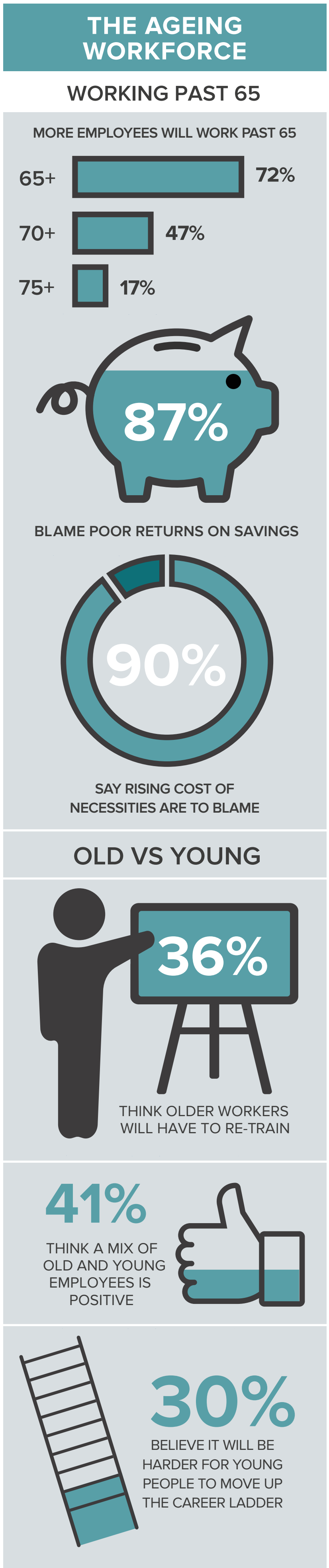
There are important decisions to make in preparation for your future and at retirement. Even if this seems a long way off, having a plan in place is vital to ensuring the lifestyle you want is achievable. We can help you at every step. To discuss your plans, please contact us.

Source data:

[1] Research conducted by Canada Life using ONS Employment Figures, May 2018.

[2] Research conducted by Canada Life using ONS Employment Figures, May 2018.

[3] Proposed new timetable for State Pension age increases, 19 July 2017.



SEIZE THE DAY - TODAY

Make your vision a reality

Exactly how much you'll need for a comfortable retirement will depend largely on your cost of living and lifestyle choices. For many people, retirement is about sun-soaked holidays, leisurely rounds of golf and that boat they've always coveted.

But retirement is not what it used to be, with more of us working longer to build up our decided retirement income. So it's essential to reassess how much you're saving into your pension if you want to make your own vision a reality. For many people, retirement may seem a long way off, and saving into a pension isn't always a top priority.

But the simple truth is the earlier you start, the easier it will be. If you have less time to invest, then the amount of money that you have to save is likely to be higher to make sure your retirement planning is on track. We've provided some ideas to help improve and boost your savings for a more comfortable retirement.

STARTING POINT FOR YOUR RETIREMENT PLAN

Working out what pensions you already have should be a starting point for your retirement plan. Locate the latest statements you have for all your pensions, including from previous employers and personal pensions. You can also get a forecast of your state pension via www.gov.uk/check-state-pension.

You should be sent an annual statement for each of your pension schemes, including any employer-based arrangements and personal pension plans, even if you are no longer contributing to them. If you don't have up-to-date statements, you can ask for these to be sent to you. You may also be able to access pension values online via your pension company/scheme website.

VALUING YOUR PENSION

As well as telling you what your pension is worth now, annual statements will also detail what your pension might be worth at retirement.

These forecasts (don't think of them as anything more than rough estimates) will be based on a range of assumptions including investment growth and inflation between now and retirement.

It is important to consider the effect of inflation because, over time, this can significantly reduce the spending power of your pension.

COST OF YOUR LIFESTYLE

Whether your pension will be enough to pay for the retirement you want will depend on the

savings pot you amass, as well as the cost of your lifestyle when you retire.

Working out what income you will need in retirement may not be straightforward, however. Your life in retirement will be different from your working life; some costs may go up, while others will reduce.

You may spend more on holidays and leisure (especially in the earlier years of retirement), but your housing costs may be lower. While you may no longer have the costs of bringing up children, you may still want to help them financially, and there could be grandchildren to think of. In your later retirement years, you could have care costs. The traditional rule of thumb has been a target pension income of two thirds of your salary.

KNOW YOUR MAGIC NUMBER

Having accounted for the State Pension and any defined benefit scheme pension, you need to calculate how much money you will need to save to produce the remainder of your target income. This can depend on factors such as the age you want to retire, income yields available on investments, how much prices rise during your retirement and how long you live for – and how much you have put aside already.

If you contribute through a workplace pension, your employer will also contribute on your behalf, and you could qualify for National Insurance savings using a so-called 'salary sacrifice' arrangement. Employer top-ups in particular can significantly increase the value of your pension contributions, so it is worth checking that you are making the most of any workplace generosity offered.

It's also important to be aware that there is a limit on the size of overall pension savings you can accumulate – currently £1.03 million (for 2018/19, and rising annually in line with inflation) – without facing a hefty tax charge of up to 55% on the excess.

This Lifetime Allowance (LTA) for pensions could also be a challenge for people whose retirement savings are currently less than £1 million, as well as individuals with sizeable final salary pension entitlements. Investment growth and ongoing contributions could lead to your breaching the LTA in future.

ALTERNATIVE WEALTH OPPORTUNITIES

Pensions are not the only way to save for retirement. Tax-efficient Individual Savings Accounts (ISAs) are a popular savings option, while many people see property – particularly in the form of buy-to-let – as their retirement nest egg.

TIMING IS EVERYTHING

Pension freedoms have now given retirees considerable flexibility over how they draw an income or withdraw lump sums from their accumulated retirement savings. Pension savings can be accessed from age 55. You no longer have to purchase an annuity – an income stream for life – and you can choose how much income you take and when to take it.

You could take your whole pension fund as cash in one go – with 25% being tax-free and the rest taxable. Other options include taking a lump sum now, with further withdrawals when you want, or an ongoing regular income (via so-called drawdown or an annuity). However, the danger of these pension freedoms is that people withdraw too much money too quickly and risk running out of money before they die.

It is also possible to pass on your pension savings completely free of tax. So, as well as being a tax-efficient way to invest, pensions can be a very useful way to reduce Inheritance Tax bills.

SEIZE THE DAY – TODAY

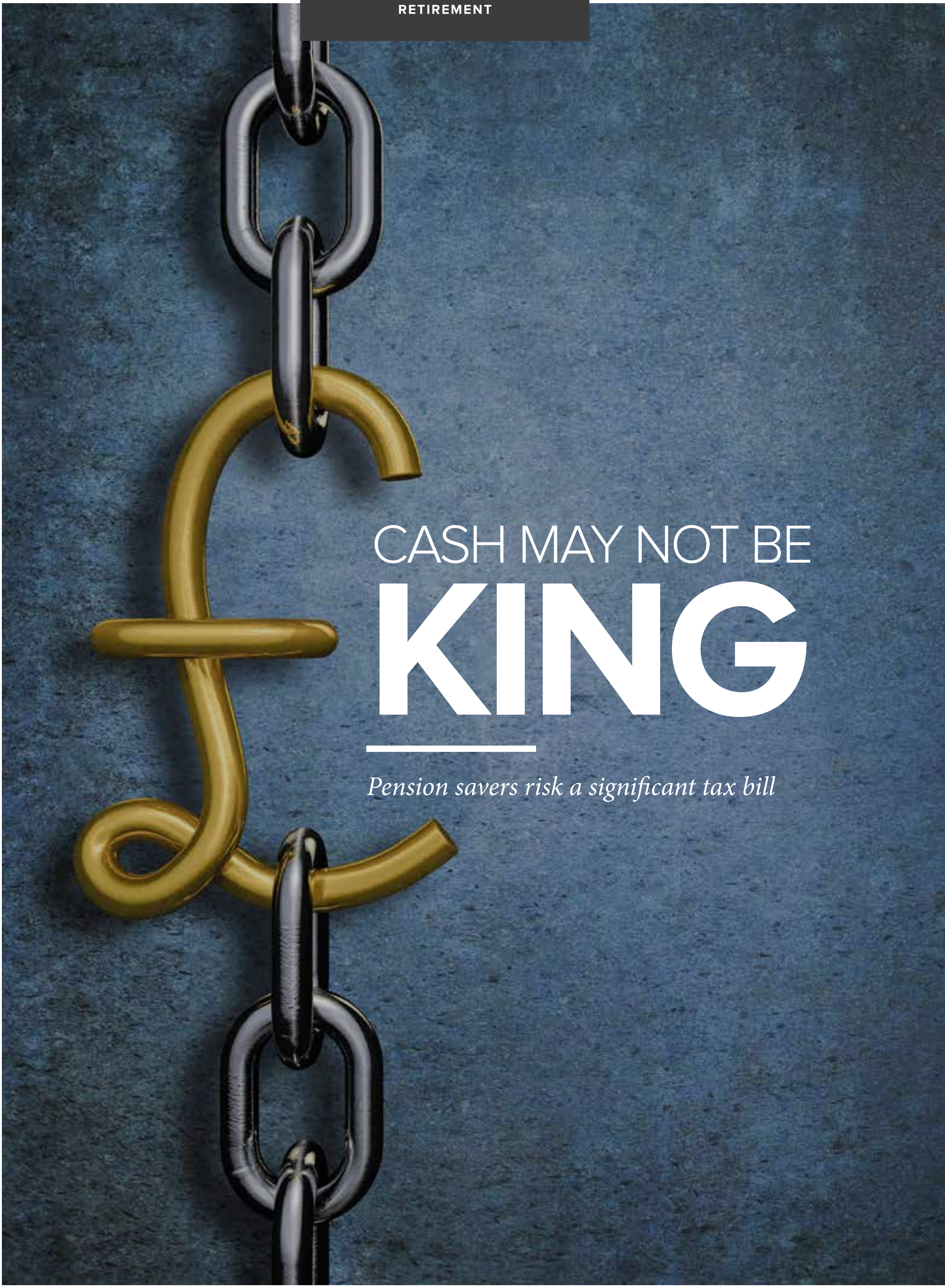
Too many people fail to seriously consider how they are going to manage financially in retirement until they are about to retire. It is only then that they discover that their pension is not on target to meet their retirement aspirations.

When you are living a busy life, it can be difficult to find time to consider your long-term plans. Your mortgage or your children's education might be more immediate financial priorities; your career or running your business can make more pressing demands on your time. However, getting your pension on track as soon as possible could save you and your family a financial headache later on.

Another reason to take advantage of existing pension tax breaks is that there is no guarantee they will be there in the future. The Government has already cut the annual allowance to £40,000 – and as little as £10,000 for very high earners – while reducing the lifetime allowance from its £1.8 million peak in 2011/12. Higher-rate Income Tax relief on contributions could be next, so it makes sense to make the most of what's on offer now. ◀

REACHING YOUR WEALTH GOALS

Saving for retirement is essential if you want fully to enjoy your later years, but how do you assess how much income you will need? Plus, how much do you need to save to reach your goals? If you would like to review where you are financially, please contact us – we look forward to hearing from you.



CASH MAY NOT BE KING

Pension savers risk a significant tax bill

For most people over the age of 55, it is now possible to cash in or unlock all of your pension. How you take these benefits will depend on the type of scheme you have and how you want to take benefits. But concerns have been raised that some savers may risk running out of cash if they siphon too much out of their pension pots.

There are a number of downsides to taking too much cash from your pension, especially if you are doing it earlier than expected. However, around one in ten (10%) planning to retire this year expect to withdraw their entire pension savings as one lump sum, risking a significant tax bill and an impact on their future retirement income.

The findings[1] are part of unique annual research – now in its 11th year – into the financial plans and aspirations of people planning to retire in the year ahead and shows that, in total, one in five (20%) retiring this year will risk avoidable tax bills by taking out more than the tax-free 25% limit on withdrawals.

TWO THIRDS PLANNING ON RETIRING EARLY

However, they are not necessarily spending all the cash – the main reason given by those taking all their fund in one go was to invest in other areas such as property, a savings account or an investment fund (71%). Interestingly, around two thirds (66%) of people are planning on retiring early.

Since the launch of pension freedom reforms in April 2015, more than 1.1 million people aged 55-plus have withdrawn around £15,744 billion[2] in flexible payments.

TAKING ADVANTAGE OF PENSION FREEDOMS

Government estimates[3] show that around £2.6 billion was paid in tax by people taking advantage of pension freedoms in the 2015/16 and 2016/17 tax years, with another £1.1 billion raised in the 2017/18 tax year.

The most popular use of the cash is for holidays, with 34% planning to spend the money on trips. Around (25%) will spend the money on home improvements, while one in five (20%) will gift the money to their children or grandchildren. Other popular uses include buying cars or paying off mortgages. ◀

DON'T GET PENALISED BY THE TAX SYSTEM

Pension freedoms allow you to have the flexibility on how and when you spend your money without being penalised by the tax system, but it is worrying that some retirees may withdraw more than the tax-free lump sum limit. The risk is even greater if you're taking all of your pension fund in cash. To review your own situation, please speak to us. You can call us to arrange an appointment or ask a question – we look forward to hearing from you.

Source data:

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

[2] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/675350/Pensions_Flexibility_Jan_ 2018.pdf

[3] http://obr.uk/overview-of-the-november-2017-economic-and-fiscal-outlook/

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.

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

WHAT YOU NEED TO ASK YOURSELF BEFORE CASHING IN YOUR PENSION POT

Q: Have you considered what the tax implications are?
At the heart of any pension transaction you undertake, tax planning is a major consideration. Only the first 25% of the amount that you drawdown from your pension pot is tax-free, and the remaining 75% is taxed as earned income.

Q: Will your money last the duration of your retirement years?
Before taking the cash, it is crucial to think about whether you will have enough money to last the duration of your retirement. It's not a one-off decision: you should regularly review your choices throughout your retirement, as your needs evolve and income needs may change.

Q: Will your pension scheme allow you to cash in your pension pot?
If you're convinced that cashing in your pension pot is the right move for you, you need to ensure that your pension scheme allows you to do so. If not, it means that you'll need to transfer your savings into a suitable pension scheme to be able to access your cash.

Q: Are you aware of the companies running pension scams?
Pension savers getting scammed out of their retirement savings is a real issue. The problem is that many of these scams look perfectly legitimate so are not easy to spot. Others offer investment returns which are too good to be true. You can visit the FCA's ScamSmart website, which includes a warning list of companies operating without authorisation or running scams – www.fca.org.uk/scamsmart.

Q: Have you sought professional financial advice about your plans?
Not seeking professional financial advice can be very risky, especially when it comes to deciding how eventually to take your pension. If you get it wrong, it could be very costly and have a considerable impact on your retirement lifestyle and standard of living. We'll make sure that the action you take is the right one for you, your family and your needs.

FINANCIAL PROTECTION

Families left in a precarious situation if the unforeseen were to happen

We all intend that our plans will come good. But making sure that you and your family can cope if you fall ill or die prematurely is something we can too easily put to one side. In particular, a recent study identified that financial protection is something that millions of fathers in the UK, and their families, could benefit from.

More than half (58%) of men in the UK with dependent children have no life insurance, meaning that just over 4.5 million dads[1] are leaving their families in a precarious situation if the unforeseen were to happen. Worryingly, this has increased by five percentage points compared with 2017, a year-on-year increase of around 542,000 individuals[2].

FINANCIAL HARDSHIP

Despite a fifth (20%) of dads admitting their household wouldn't survive financially if they lost their income due to long-term illness, only 18% have a critical illness policy, leaving many more millions at risk of financial hardship if they were to become seriously ill.

- **Critical illness insurance –** this doesn't usually pay out if you pass away, so it's not always suitable if you want to make sure your family are provided for after you've gone. This is where life insurance comes in.
- **Life insurance –** this insurance usually only pays out if you pass away. It's designed to help your family maintain their lifestyle after you've gone, for example, to pay off a mortgage or other loans and provide for children's university fees.

Many insurers will offer both types of cover combined.

NO SAVINGS

If they were unable to work due to serious illness, 16% of fathers say they could only pay their household bills for a minimum of three months. More than two fifths (45%) say they'd have to dip into their savings to manage financially, but 17% admit that their savings would last for a maximum of just three months, and 12% say they have no savings at all.

On top of this, many fathers are leaving themselves and their families unprepared for other aspects of illness or bereavement. 16% of them aren't sure who would take care of them if they fell ill, and more than two fifths (42%) don't have the protection of a Will, power of attorney, guardianship or trust arrangement in place for their families.

RISKY POSITION

This is an especially risky position for the two thirds (66%) of UK fathers who are the main breadwinner in the family, and it's clear that many are in lack of a 'Plan B'.

Many fathers don't consider having insurance as a necessity, with 16% of those without saying they don't see critical illness cover as a financial priority, and 20% saying they don't think they need it. The value of protection, however, is to provide long-term peace of mind about having financial security in place for your dependents.

SEEK ADVICE

Life is full of uncertainties – and while we insure cars, houses and even holiday arrangements, when it comes to ourselves and our family, often insurance is overlooked and undervalued. The simple truth is we can get too ill to carry on working or tragically die too soon, either through serious illness or accident. These events are random, and they can potentially affect us all.

Recent changes to bereavement benefits, and their continued unavailability to those in cohabiting relationships, mean that it's more important than ever for fathers to review their financial protection needs and seek advice to make sure their household is covered.

UNFORESEEN CIRCUMSTANCE

The impact of losing the family breadwinner can be devastating – missed mortgage repayments, savings depleted, your home being sold, your family's standard of living eroded, with stress and worry all too evident.

Whether it is your family or other loved ones, it's essential to make sure that the people and things that matter to you are taken care of – whatever life throws at you. ◀

CREATING A DURABLE PLAN FOR THE FUTURE

We understand that expert advice on financial matters is invaluable in creating a durable plan for the future. To discuss what's best for you and your family if the unforeseen were to happen, contact us so we can find the solution that's right for you.

Source data:

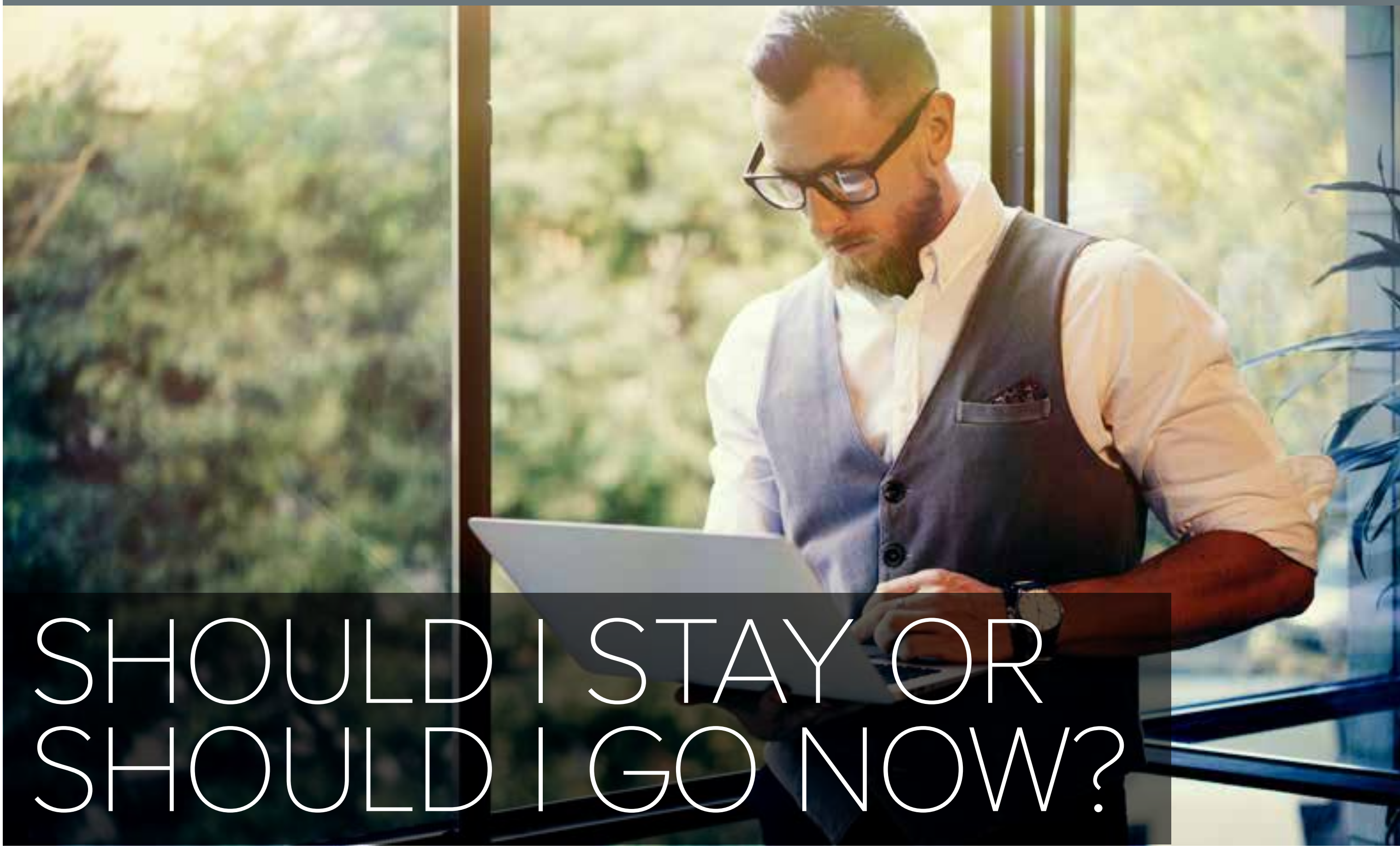
All figures, unless otherwise stated, are from Opinium Research. The survey was conducted online between 5 and 12 April 2018, with a sample of 5,022 nationally representative UK adults.

[1] Percentage of adult population that are fathers with dependents = 762/5022 = 15.17%; 15.17% of adult population of 51,767,000 = 7,854,730 million; 58% of these don't have cover so 4,545,848 million

[2] Percentage of adult population that are fathers with dependents = 735/5077 = 14.48%; 14.48% of adult population of 51,767,000 = 7,495,861 million; 53% of these don't have cover so 4,003,721. Difference of 542,127 compared with 2017

PROTECTION PLANS USUALLY HAVE NO CASH IN VALUE AT ANY TIME AND WILL CEASE AT THE END OF THE TERM. IF PREMIUMS ARE NOT MAINTAINED, THEN COVER WILL LAPSE.

CRITICAL ILLNESS PLANS MAY NOT COVER ALL THE DEFINITIONS OF A CRITICAL ILLNESS. THE DEFINITIONS VARY BETWEEN PROVIDERS AND WILL BE DESCRIBED IN THE KEY FEATURES AND POLICY DOCUMENTS IF YOU GO AHEAD WITH A PLAN.



SHOULD I STAY OR SHOULD I GO NOW?

Key aspects that influence retirement decisions

Whatever you want to do when you retire, the better prepared you are, the more rewarding it will be. It's important to assess the key aspects that will influence your retirement, as the decisions you make can have a real impact on your savings. There are some important considerations to think about.

TIMING

- Drawing savings too early is likely to result in lower returns and/or lower lifetime income
- Drawing savings later may not result in higher returns – this depends on how you invest and use your savings

CAPITAL REQUIREMENTS

- Many people withdraw capital from their pension savings not because they 'need' it but because they can, and they end up just retaining it in a less tax-efficient environment
- Meeting income needs from capital could be extremely efficient – it may even be necessary

INCOME REQUIREMENTS

- There are choices to make between generating income now versus providing for your future
- You may also continue earning some income during retirement through paid work, business ventures or even lucrative hobbies
- Your income needs are likely to vary over time, and some expenses are fixed while others are variable. Most critically, long-term care can prove expensive
- Your income preferences are also key – having a known stable income source may be preferable to having a higher but less stable income
- Generating surplus income is inefficient from a tax perspective

ATTITUDE TO RISK

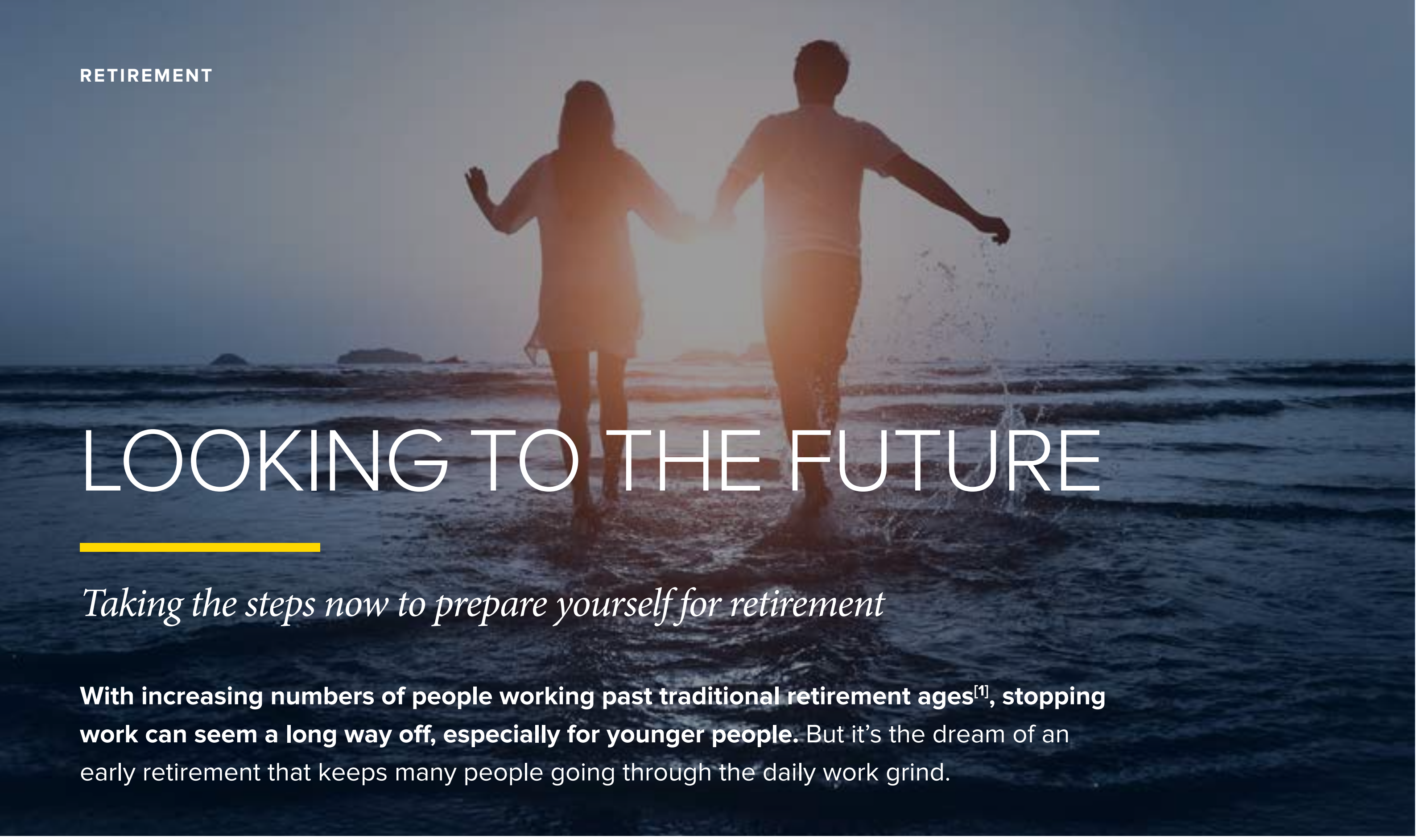
This is the trade-off between relative safety (which you may choose out of concern) and taking risk (which you may choose with an aim of achieving growth). Your attitude may also change as you accumulate wealth (because you have more to lose) and as you get older (because you have less time to recover if your investments fall in value). But risk is never completely eroded – even with cash or an annuity.

You also need to ask yourself some of the following questions:

- What is my life expectancy, and how much money will I need to achieve my retirement plans?
- How could my income and capital needs change in the future?
- Do I have an effective plan to leave a financial legacy?
- How much money would my spouse/partner need if I die before them?
- How might I protect against the effect of inflation?

HELPING YOU PLAN AND ENJOY YOUR FUTURE

Regardless of the life stage you have arrived at, it is important to receive expert and professional financial advice on your pension plans and requirements. Talk to us about your circumstances, wants and needs. We will then assess how close you are to achieving them based on your current plans – please get in touch for more information.



LOOKING TO THE FUTURE

Taking the steps now to prepare yourself for retirement

With increasing numbers of people working past traditional retirement ages[1], stopping work can seem a long way off, especially for younger people. But it's the dream of an early retirement that keeps many people going through the daily work grind.

Fantasies of a round-the-world cruise, sundowners on a seaside terrace or writing a best-selling novel can make work endurable. The good news for many is that the dream of an early retirement is being realised[2], with nearly two thirds (60%) of those stopping work this year doing so before their expected State Pension age or company pension retirement date.

ESCAPE THE DAILY GRIND

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

The opportunities that retirement brings are limitless, with travelling or spending long periods abroad high on many people's wish lists. The average age of those retiring early is 57, and early retirees are planning to make the most of their free time – over a third (37%) plan to take up a new hobby or sport, 27% will start voluntary or charity work, and nearly a fifth (17%) are planning a long-term holiday or gap year.

MEETING YOUR LIFE GOALS

But early retirement also can bring with it the challenges of meeting your life goals, such as funding a child's education and their wedding, along with bearing household expenses long after you've retired because of increasing life expectancy.

To retire earlier requires planning, discipline and paying close attention to your savings and investments. But the sacrifices and extra effort are worth it to enable you to have more opportunities to spend time with the people you care about.

REASONS TO START SAVING FOR RETIREMENT EARLY

YOU'LL PREPARE IN A MORE RELAXED WAY

Saving for 30 years instead of 10 means you can put away less money each month and reach the same target. It'll also mean you have cash left over to spend on yourself in the meantime.

EARN MORE THANKS TO COMPOUND INTEREST

If you start saving today, you'll earn more because interest payments build up – every interest payment you receive starts earning corresponding interest itself right away.

YOU WILL ENJOY GREATER PEACE OF MIND

Putting in place a plan for your retirement means you can start looking forward to a more comfortable retirement. You'll feel more confident about life after work knowing things are taken care of from a financial perspective.

YOU COULD RETIRE EARLIER

If you manage your wealth and retirement planning wisely, you might find you're ready to retire younger than you'd imagined. Give yourself more time for the things you've always dreamed of doing.

PLAN WHEN YOU HAVE MORE DISPOSABLE INCOME

It's normally the case that you have more disposable income from your twenties into your early forties. Later in life, you may find that you have more responsibilities – children's education and mortgage payments, for example – and find it harder to put money into your retirement fund every month. Start early while you have extra funds. ◀

ARE YOU WELL SET UP TO ENJOY A COMFORTABLE RETIREMENT?

Retiring early from your work life is one thing, but meeting your life goals and staying on course after retirement is completely different. Taking the steps now to prepare yourself for retirement, no matter how far in the future, will ensure you are well set up to enjoy a comfortable retirement doing the things you want to do. To find out more, please contact us.

Source data:

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

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

POSITIVE OUTCOMES

Impact investing without sacrificing returns or profits

For those looking to make the world a better place, but not wanting to sacrifice returns or profits, impact investing aims to support a positive social or environmental impact as well as looking to achieve compelling financial returns at the heart of sustainable investing.

The term 'impact investing' was first coined in 2007, although the practice developed over years beforehand. It seeks to generate both social change and a return on capital and ends the old dichotomy where business was seen solely as a way to make a profit, while social progress was better achieved only through philanthropy or public policy.

NOT A RECENT PHENOMENON

Socially responsible investing is not a recent phenomenon – it can actually be traced back several centuries. Early initiatives were all based on the exclusion of controversial sectors such as tobacco or armaments rather than on investing in businesses which have the power to do good. That's what impact investing is seeking to achieve, and it has begun to gain traction.

The upward swing of impact investing is being led by millennials. This type of investing considers a company's commitment to corporate social responsibility (CSR), or the sense of duty to positively serve society as a whole, before becoming involved with that company. This societal impact differs depending on the industry and the specific company within that industry, but some common examples include giving back to the community by helping the less fortunate or investing in sustainable energy practices.

SOCIAL AND ENVIRONMENTAL THEMES

Once the preserve of the super-rich, individuals and families would come together to identify promising opportunities to make money and do good at the same time. But, increasingly, investor impact strategies are now covering a broader range of social and environmental themes and, in many cases, harness the latest technology or pioneer delivery systems to gain efficiencies and reach those most in need.

Impact investments can be made in both emerging and developed markets and target a range of returns depending on an investor's strategic goals. The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, micro finance, and affordable and accessible basic services including housing, healthcare and education.

CHALLENGING PREVIOUS LONG-HELD VIEWS

Impact investing challenges the previous long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns.

The impact investing market directs capital to enterprises that generate social or environmental benefits, and offers diverse and viable opportunities for investors to advance social and environmental solutions through investments that also produce financial returns. ◀

LOOKING FOR THE POTENTIAL TO GENERATE POSITIVE OUTCOMES?

Impact investing provides the opportunity to make investments that not only deliver financial returns, but also have the potential to generate positive outcomes that address some of the most imperative challenges that we face as a society, such as climate change and poverty. To find out more, call us to arrange a meeting or simply ask a question. We look forward to hearing from you.

GETTING FINANCES IN ORDER

Financial worries don't just affect our waking hours

> THE RESEARCH HIGHLIGHTS THE LINK BETWEEN OUR DREAMS AND WHAT WE GET UP TO WHEN WE'RE AWAKE; NINE IN 10 PEOPLE THINK REAL LIFE ISSUES (88%) AND THEIR EMOTIONS (91%) AFFECT THE TYPE OF DREAMS WE HAVE.

Financial fears are creeping into sleeping hours, as new research shows money worries are a top cause of nightmares[1]. Our dreams are how we naturally make sense of all the information and experiences that we unconsciously absorb every day.

They are not just some random occurrence but actually a deliberate process, enabling us to draw on our past experiences and then use them to make the most of future possibilities. Dreams provide us with meaningful insights into specific challenges that we may be encountering in our day-to-day lives.

POWER AND CONFIDENCE

Two in five (41%) people said money makes them anxious, which can have a big impact on the subconscious. One of the most common types of dream is about teeth falling out (18%). Teeth symbolise power and confidence, with financial concerns leading to nightmares about you losing them as you're not in control.

Financial worries don't just affect our waking hours: as the research shows, they are creeping into our subconscious and giving us nightmares. Keeping on top of finances makes us feel in control and eases money worries. Setting a budget can help towards getting our finances in order.

REALITY OF DREAMS

The research highlights the link between our dreams and what we get up to when we're awake; nine in ten people think real life issues (88%) and their emotions (91%) affect the type of dreams we have. People in the UK take it one step further, with three in ten (31%) basing real-life decisions on dreams or nightmares.

Nightmares plague millions of people, with nearly nine in ten (85%) of us suffering from them. A quarter (23%) suffer from nightmares once a week or more frequently, with falling (40%) and violence (29%) being the more common types of nightmare.

GENDER DIVIDE

The data also shows a gap between men and women when it comes to dreams, with more than half (56%) of men having based decisions or changed something in their life after a dream in comparison to just a quarter (27%) of women. Two in five men (44%) suffer from nightmares once a week or more frequently in comparison to one in six women (17%). Women (37%) are also more private about sharing their nightmares with other people in comparison to men (27%). ◀

REWARDING PREPARATION

Whatever you want to do when you retire, the better prepared you are, the more rewarding it will be. Need to speak to us? You can call us to arrange an appointment or ask a question. We look forward to hearing from you.

Source data:

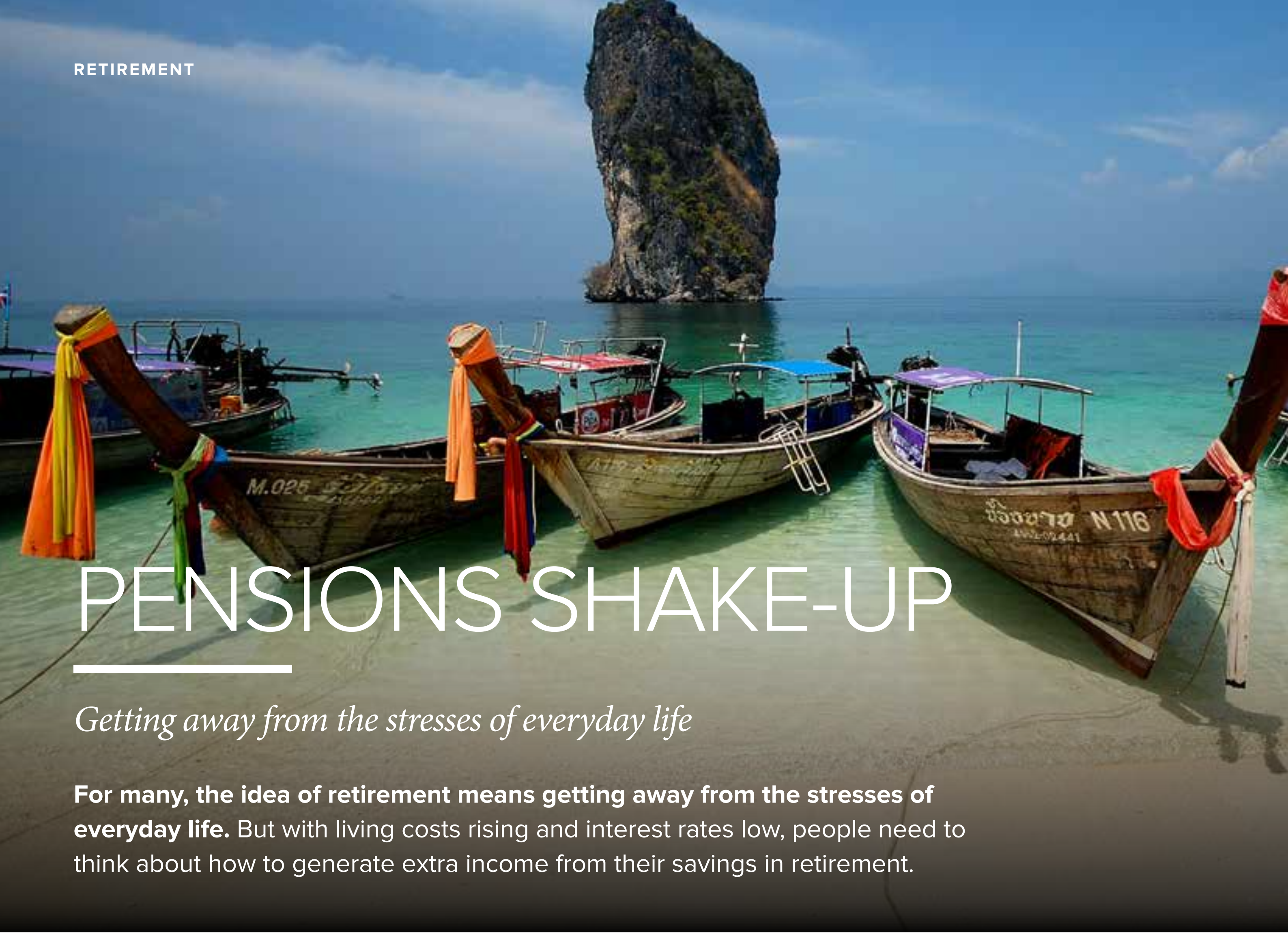
[1] The research was carried out by RWB, on behalf of Royal London, between 6 and 9 July 2018 amongst 1,055 UK adults (aged 18+) and is representative of the UK population. The survey was carried out online and all research conducted adheres to the MRS Code of Conduct (2014).

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

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

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

CONTACT US TO DISCUSS YOUR REQUIREMENTS.



PENSIONS SHAKE-UP

Getting away from the stresses of everyday life

For many, the idea of retirement means getting away from the stresses of everyday life. But with living costs rising and interest rates low, people need to think about how to generate extra income from their savings in retirement.

Pensions offer a number of important advantages that will make your savings grow more rapidly than might otherwise be the case. However, changes announced in April 2015 have lead to a complete shake-up of the UK's pensions system, giving people much more control over their pension savings than ever before.

DIFFERENT PENSION SCHEMES

The term 'private pension' covers both workplace pensions and personal pensions. The UK Government currently places no restrictions on the number of different pension schemes you can be a member of. Providing you don't save more than your Lifetime Allowance into all of your pension funds combined – currently set at £1,030,000 (2018/19) – you won't be penalised by the taxman for having lots of pensions.

So even if you already have a workplace pension, you can have a personal pension too, or even multiple personal pensions. These can be a useful alternative to workplace pensions if you're self-employed or not earning, or simply another way to save for retirement.

Any UK resident between the ages of 18 and 75 can pay into a personal pension – although the earlier you invest, the more likely you are to be able to build up a substantial pension pot.

TAX RELIEF ON PENSION CONTRIBUTIONS

A private pension is designed to be a tax-efficient savings scheme. The Government encourages this kind of saving through tax relief on pension contributions.

In the 2018/19 tax year, pension-related tax relief is limited to either 100% of your UK earnings, or £3,600 per annum.

The current pension tax relief rates are:

- Basic-rate taxpayers will receive 20% tax relief on pension contributions
- Higher-rate taxpayers also receive 20% tax relief, but they can claim back up to an additional 20% through their tax return
- Additional-rate taxpayers again pay 20% tax relief, but they can claim back up to a further 25% through their tax return
- Non-taxpayers receive basic-rate tax relief, but the maximum payment they can make is £2,880, to which the Government adds £720 in tax relief, making a total gross contribution of £3,600

If you are a Scottish taxpayer, the tax relief you will be entitled to will be at the Scottish Rate of Income Tax, which may differ from the rest of the UK.

LIMITS ON THE AMOUNT THAT CAN BE CONTRIBUTED

The Annual Allowance is a limit on the amount that can be contributed to your pension each year while still receiving tax relief. It's based on your earnings for the year and is capped at £40,000 (2018/19).

If you exceed the Annual Allowance in a year, you won't receive tax relief on any contributions you paid that exceed the limit, and you will be faced with an annual allowance charge. This charge will form part of your overall tax liability for that year, although there is the option to ask your pension scheme to pay the charge from your benefits if it is more than £2,000.

In April 2016, the Government introduced the tapered annual allowance for high earners, which states that for every £2 of income earned above £150,000 each year, £1 of annual allowance will be forfeited. However, the maximum reduction will be £30,000 – taking the highest earners' annual allowance down to £10,000.

It is worth noting that you may be able to carry forward any unused annual allowances from the previous three tax years. If you have accessed any of your pensions, you can only pay a maximum of £4,000 into any

un-accessed pension(s) you have. This is called the 'Money Purchase Annual Allowance', or 'MPAA'. The MPAA applies only if you have accessed one of your pensions.

EXCEEDING THE LIFETIME ALLOWANCE

What counts towards your Lifetime Allowance depends on the type of pension you have.

Defined contribution – personal, stakeholder and most workplace schemes. The money in pension pots that goes towards paying you, however you decide to take the money.
Defined benefit (also known as 'Final Salary') – some workplace schemes. This can be 20 times the pension you get in the first year plus your lump sum – but you'll need to check this with your pension provider.

Your pension provider will be able to help you determine how much of your Lifetime Allowance you have already used up. This is important because exceeding the Lifetime Allowance will result in a charge of 55% on any lump sum and 25% on any other pension income such as cash withdrawals.

This charge will usually be deducted by your pension provider when you access your pension.

PROTECTING YOUR PENSION POT

It's easier than you think to exceed the Lifetime Allowance, especially if you have been diligent about building up your pension pot. If you are concerned about exceeding your Lifetime Allowance or have already done so, it's essential to obtain professional financial advice.

It may be that you can apply for pension protection. This could enable you to retain a larger Lifetime Allowance and keep paying into your pension – depending on which kind of protection you are eligible for:

Individual protection 2016 – this protects your Lifetime Allowance to the lower of the value of your pension(s) at 5 April 2016 and/or £1.25 million. You can keep building up your pension with this type of protection, but you must pay tax on money taken from your pension(s) that exceeds your protected lifetime allowance.
Fixed protection 2016 – this fixes your Lifetime Allowance at £1.25million. You can only apply for this if you haven't made any pension contributions after 5 April.

PASSING ON YOUR PENSION TO BENEFICIARIES

Finally, it is worth noting that there will normally be no tax to pay on pension assets passed on to your beneficiaries if you die before the age of 75 and before you take anything from your pension pot – as long as the total assets are less than the Lifetime Allowance. If you die aged 75 or older, the beneficiary will typically be taxed at their marginal rate.

However, not all types of pension can be passed on in such a tax-efficient way. Some older-style pensions may not be able to offer all the new death benefit options available. If this flexibility is important to you, in this instance and if appropriate, you may want to consider transferring to a pension scheme that does. ◀

NO ONE-SIZE-FITS ALL APPROACH

Life is full of choices. We are here to support you with the choices you'll need to make to ensure you have the retirement you want. There is no one-size-fits-all approach, which is why it's essential to obtain professional financial advice. To discuss your situation, please contact us – we look forward to hearing from you.

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.

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

'MULTI-JOBBERS'

Falling foul of the minimum earnings threshold

The rules around pensions are continuously changing. To make the most of your retirement, it's essential to receive regular professional financial advice on how to build up and invest your pension effectively.

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

HARDWORKING MISSING OUT

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

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

ADEQUATE SAVINGS LEVELS

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

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

UNFAIR BARRIER IN THE WAY

The fact that savings levels have stagnated for the last few years shows that auto-enrolment is not a silver bullet. It will be interesting to see if the step-up in minimum contributions helps reverse this trend, but it doesn't take away from the fact that the current threshold puts an unfair barrier in the way of low-paid workers and their ability to prepare adequately for retirement. It's vital that every single person in the UK is prepared for the rising costs of retirement, and removing the threshold can help to do that.

It's a thorny issue, but only by tackling it will the lowest paid sectors of the workforce have a fair chance of kick-starting their later life savings with support from their employers. ◀

SETTING OUT YOUR FINANCIAL PLAN

Even if retirement seems a long way off, having a plan in place is vital to ensuring that the lifestyle you want is achievable. By setting out a financial plan and keeping it up to date, we can help you meet changes in life and financial circumstances. If you would like to discuss your plans, please contact us.

Source data:

[1] The research looks at this age range because 22 is the age at which workers become auto-enrolled - Scottish Widows research, in partnership withYouGov,shows that 13% of these workers have more than one job (4,194,060 people).

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

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

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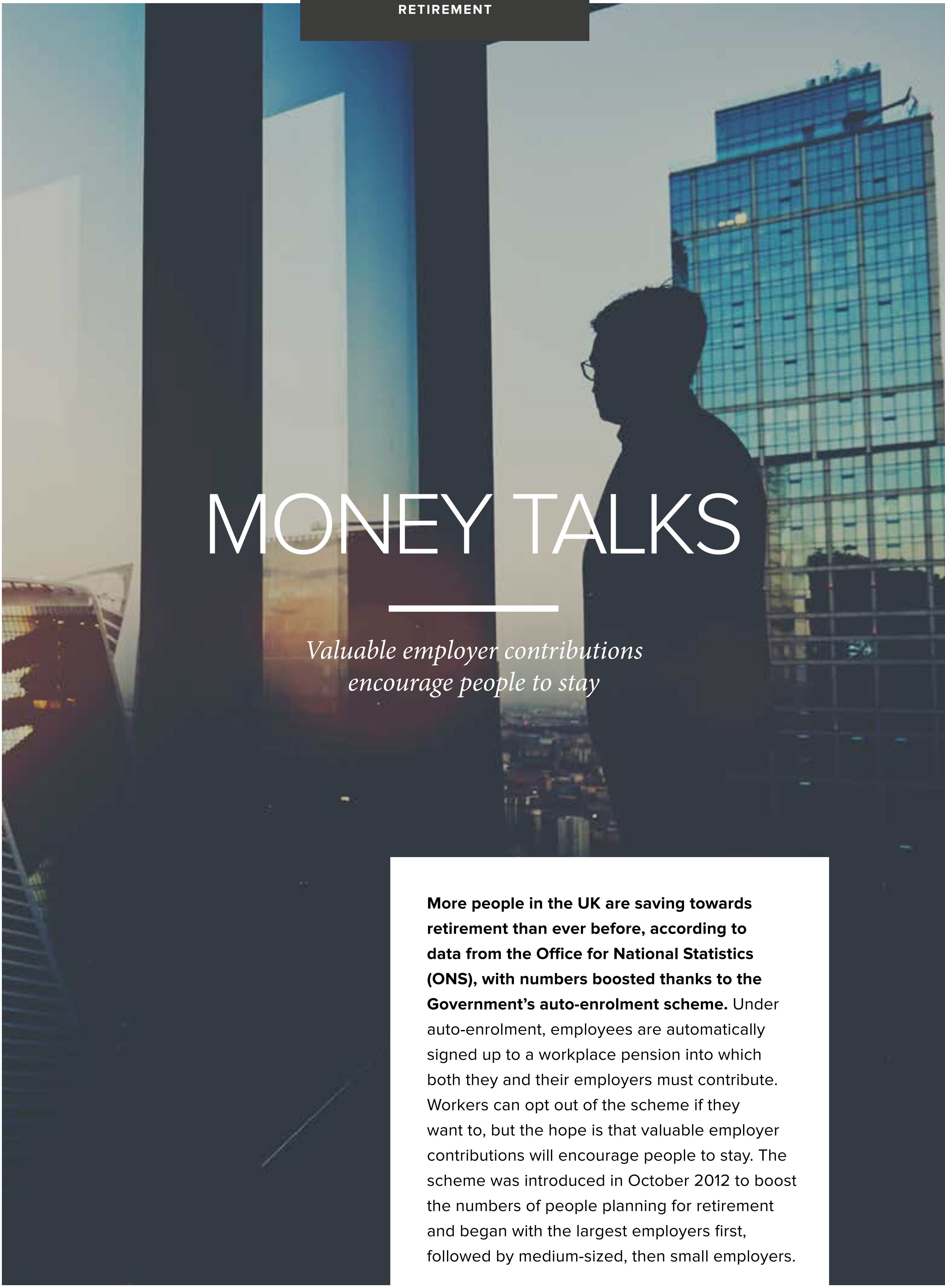

MONEY TALKS

Valuable employer contributions encourage people to stay

More people in the UK are saving towards retirement than ever before, according to data from the Office for National Statistics (ONS), with numbers boosted thanks to the Government's auto-enrolment scheme. Under auto-enrolment, employees are automatically signed up to a workplace pension into which both they and their employers must contribute. Workers can opt out of the scheme if they want to, but the hope is that valuable employer contributions will encourage people to stay. The scheme was introduced in October 2012 to boost the numbers of people planning for retirement and began with the largest employers first, followed by medium-sized, then small employers.

Nearly three quarters (73%) of employees were contributing to a company pension scheme in 2017, latest ONS figures show[1], up from 67% in 2016. Those aged between 22 and 29 had the biggest growth in pension membership, with 73% in this age group belonging to a pension in 2017, compared to 65% the previous year. Prior to 6 April 2018, employees only had to contribute 0.8% of their qualifying earnings into a workplace pension, topped up by 0.2% tax relief, whilst employers paid in 1%.

Minimum contributions for auto-enrolment increased on 6 April 2018, so workers must now pay 3% of their qualifying earnings into a pension, including 0.6% of tax relief, while employers must make contributions of 2%[2]. Your qualifying earning are your earnings from employment, before Income Tax and National Insurance contributions are deducted, that fall between a lower and upper earnings limit set by the Government. These limits are £6,032 and £46,350 for the current 2018/19 tax year.

PAY MORE INTO YOUR PENSION

Next year, contribution limits will increase again, so that from April 2019 employees must pay in 5% of qualifying earnings, including 1% of tax relief, and employers must pay in 3%[3]. It's important to remember that these are only minimums, so you or your employer can choose to pay more into your pension if you or they want to.

Saving for the future is vital if you want to enjoy a comfortable retirement. Relying on the state alone to support you could prove a costly mistake, particularly as the age at which you can claim the State Pension is being pushed further and further back.

FULL LEVEL OF THE NEW STATE PENSION

Last summer, the Department for Work & Pensions decided that rising life expectancy meant that the increase in the State Pension age to 68 should be brought forward between 2037 and 2039, seven years earlier than planned[4]. The age at which you can make withdrawals from a workplace or private pension is set to rise from 55 to 57 by 2028 and then on to 58 – this is still well before you can receive your State Pension. Bear in mind that if you belong to a workplace scheme, you may need the consent of your employer or former employer if you want to access your pension benefits before the scheme's normal retirement age.

According to research by consumer association Which?, retired couples last year spent on average £2,200 a month, or around £26,000 a year, on basic expenses such as food and living costs and some luxuries such as European breaks and eating out. If you reached State Pension age after 6 April 2016, the full level of the new State Pension is £164.35 a week, although the actual amount you'll get will depend on your National Insurance record[5].

ACHIEVING AN ANNUAL INCOME YOU WANT

Which? claims that to achieve an annual income of £26,000, a couple would need a defined contribution pot of £210,000 in today's money, which then goes into income drawdown at retirement, alongside their current State Pension entitlement. The majority of company pension schemes are defined contribution schemes, where the amount you'll receive at retirement depends on how much you've contributed, investment returns and tax relief. Income drawdown allows you to take an income from your pension while keeping it invested.

To save £210,000, Which? says you'd need to put away £131 a month from the age of 20, rising to as much as £633 per month if you leave your retirement saving until you reach the age of 50. This example assumes investment growth of 3% and that the sums saved have received basic-rate tax relief at 20%[6]. ◀

NEED TO ASK US A QUESTION ABOUT PENSIONS OR RETIREMENT?

There are some important choices to make if you're planning to retire soon. If you need to ask us a question about pensions or retirement, please get in touch.

Source data:

[1] Office for National Statistics, Annual Survey of Hours and Earnings pension tables, March 2018

[2,3] Pensions Advisory Service, Automatic Enrolment, How much do I and my employer have to pay?

[4] Gov.uk, Proposed new timetable for state pension age increases, July 2017

[5] Which? How much do you need to retire? April 2018

[6] Which? Save at least £131 a month for a comfortable retirement, April 2017

SEEKING A HIGHER RETIREMENT INCOME

Retirement needn't be an all-or-nothing decision

The onwards march of 'pretirement' – where people scale back on work or slow their retirement plans down rather than giving up entirely – is continuing, with half (50%) of those retiring this year considering working past State Pension age.

This is the sixth consecutive year[1] in which half of people retiring would be happy to keep working if it meant guaranteeing a higher retirement income. More than a quarter (26%) of those planning to delay their retirement would like to reduce their hours and go part-time with their current employer, while one in seven (14%) would like to continue full-time in their current role. An entrepreneurial fifth (19%) would try to earn a living from a hobby or start their own business.

FACTOR IN THE COST OF DAY-TO-DAY LIVING

Around one in twelve (8%) of those scheduled to retire in 2018 have postponed their plans because they cannot afford to retire. Nearly half (47%) of those who cannot afford to retire put this down to the cost of day-to-day living, which means their retirement income won't be sufficient.

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

WIND DOWN FROM WORKING LIFE GRADUALLY

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

However, not everyone has the option of extending their retirement date if they need to carry on working for financial reasons, and others may be forced to stop working for health reasons. Saving as much as possible as early as possible in their career is the best way for people to ensure they are financially well prepared for a retirement that starts when they wish (or need) it to.

MORE CHOICES THAN PREVIOUS GENERATIONS

Because people are increasingly treating retirement as a gradual process, regular discussions about their personal situation can help ensure that their retirement finances are sufficient to allow them as many options as possible.

Everybody wants to retire as comfortably as possible. But retirement needn't be an all-or-nothing decision – it's not a case of either you're still working full-time or you're completely retired. You've a lot more choice now than previous generations enjoyed. ◀

HOW WE CAN HELP YOU?

There are important decisions to make in preparation for your future and at retirement. New rules that came into force in April 2015 offer greater freedom on what you can do with your pension pot. It is important to make sure you understand all your options so that you make the right decision. We can help you at every step – please contact us.

Source data:

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

CASH STASH

Study exposes a whole host of financial secrets

It's bad news for romantics, according to the latest annual research[1] into the retirement aspirations and financial planning of UK couples aged 40 and over. This identifies that nearly one in three couples (31%) have secret savings or investments that they have deliberately started without telling their partner or spouse. And it's not just a few pounds, as 7% admit to hiding savings of over £50,000.

Individuals who have not formally tied the knot and are simply living together are much more likely to keep part of their financial life hidden from the other person in the relationship. But the study exposed a whole host of financial secrets – couples do not keep just their savings secret, as more than a fifth (21%) say their partner doesn't even know how much they earn, while 19% hide debts.

SECRET FINANCES

Do you spend in secret, or stash cash your spouse doesn't know about? Lack of trust seems to be a driving force behind many secret finances. A third (34%) admit they have no specific plans for their secret income but just don't want their partner to be able to access all their money. Nearly a quarter (22%) do not trust their partner to make the right decision about their finances so want to keep control.

More than two fifths (44%) of those keeping income secrets say their basic salary is higher than their partner thinks it is, while a quarter (25%) have income from an investment that their partner is not aware of.

MAIN MOTIVATIONS

Men are more likely to squirrel away their savings – with a third (33%) keeping a secret stash compared to 28% of women. While men and women are relatively similar in what they want to spend the money on, more than double the number of women have secret savings as security in case of a break up (15% compared to 6% of men).

Despite the potential tax benefits of jointly saving into a pension, retirement is one of the main motivations for secret savings. Around a third (33%) of all couples say they want their cash for retirement. However, 13% simply want to keep their savings hidden so they can buy what they want with the money.

HONEST CONVERSATIONS

It isn't just extra income and savings that some people keep hidden, as a fifth (19%) are keeping debts secret from their partner. For the majority, these debts arose from general living costs (62%), but for others the debt was caused by overspending due to previous relationships, with 22% getting into the red after a break up while 10% inherited the debt from a past relationship.

Saving money is always a good idea, but doing it so that you are protected in the event of a relationship breaking down means missing out on potential tax benefits. At any stage of a relationship, it is important to have open and honest conversations about finances. However, it becomes especially relevant when approaching retirement, as decisions made then will impact the rest of your life. ◀

OBTAINING PROFESSIONAL FINANCIAL ADVICE

Couples approaching retirement should consider obtaining professional financial advice about their income and working out a plan for funding their lifestyle. If you would like to discuss your situation, or to arrange a meeting, please contact us.

Source data:

[1] Consumer Intelligence conducted an independent online survey for Prudential between 29 January and 7 February 2018 among 1,000 non-retired UK adults aged 40+ who currently live with their spouse or partner.

SIPP INTO YOUR FUTURE

Extra flexibility over your pension savings in retirement

It's never too early – or too late – to start saving for your future. With retirement planning, it is important to take into account the fact we're all living longer. Couple that with the fact that the cost of living continues to rise, and the value of the State Pension continues to dwindle – this provides a very strong case for starting to save early for your future.

For appropriate investors, one option is a Self-Invested Personal Pension (or SIPP). This is a wrapper for pension investments that allows investors to make their own investment decisions. It's suitable for those people who are comfortable with making their own investment decisions about their retirement.

EXTRA FLEXIBILITY

SIPPs can be opened by almost anyone under the age of 75 living in the UK. You can open a SIPP for yourself or for someone else, such as a child or grandchild. Even if you've already retired, you can still open a SIPP and take advantage of the extra flexibility that it gives you over your pension savings in retirement – but you may be limited by how much you can pay into it.

SIPP INVESTMENTS

SIPPs offer a wider investment choice than most traditional pensions based on investments approved by HM Revenue & Customs (HMRC). They give you the chance to pick exactly where you want your money to go and enable you to choose and change your investments when you want, giving you control of your pension and how it is organised.

Most SIPPs allow you to select from a range of assets, including:

- Unit trusts
- Investment trusts
- Government securities
- Insurance company funds
- Traded endowment policies
- Some National Savings and Investment products
- Deposit accounts with banks and building societies
- Commercial property (such as offices, shops or factory premises)
- Individual stocks and shares quoted on a recognised UK or overseas stock exchange

These aren't all of the investment options that are available – different SIPP providers offer different investment options. Residential property can't be held directly in a SIPP with the tax advantages that usually accompany pension investments.

But, subject to some restrictions (including on personal use), residential property can be held in a SIPP through certain types of collective investments, such as real estate investment trusts, without losing the tax advantages. Not all SIPP providers accept this type of investment though.

TAX TREATMENT

Currently, an investor can receive up to 45% tax relief when they make a personal contribution to a personal pension such as a SIPP, with 20% paid by the HMRC to the pension and any higher and additional-rate tax relief reclaimable via your tax return.

It is also possible for non-taxpayers to benefit. UK-relevant individuals under age 75 can contribute £2,880 to a pension and receive tax relief of £720, resulting in a total contribution of £3,600. In addition to upfront tax relief, money in a pension is free from Capital Gains Tax and Income Tax on the investments. The tax treatment of pensions depends on the individual's circumstances and is subject to change in future.

MAKING WITHDRAWALS

From age 55 onwards (57 from 2028), you have the option of making withdrawals. Typically, you may take 25% of the pension tax-free, and the rest is taxed as income. Instead of purchasing an annuity at age 75, you can keep the portfolio in which your SIPP is invested. With traditional pensions, you have to purchase an annuity at age 75.

RESIDUAL MONIES

Any residual monies left in your pension when you die can typically be passed to your heirs free of an Inheritance Tax charge. Any withdrawals your heirs then make will usually be tax-free if you died before you were aged 75. If you die when aged 75 or older, any withdrawals will be taxed as income at their marginal rate.

SOPHISTICATED INVESTORS

Investing your retirement savings in a SIPP is not for everyone. While they offer greater flexibility than traditional pension schemes, they may have higher charges and are more suitable for more experienced, sophisticated investors. Contributions are also limited to the Annual Allowance, plus any Carry Forward, and you cannot access a pension until age 55 unless you are in a special profession. Income is taxable, and additional tax is payable if you exceed the Lifetime Allowance. ◀

LOOKING FOR INFORMATION ON ANY ASPECTS OF YOUR RETIREMENT PLANNING?

Whether you want to use your SIPP to save for retirement or wish to generate income, if you would like further information on any aspects of retirement planning, please call us – we'll be happy to discuss your options. We look forward to hearing from you.

A SIPP 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.

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

INVESTING IN YOUR CHILD'S FUTURE

Without planning ahead, the cost can be a huge money sink

While many parents value the standard of education offered by independent schools or universities, the costs can be daunting. However, with careful planning, it may be possible to avoid a huge outstanding student loan or tax burden.

A good education will give your children or grandchildren the best start in life. With more parents choosing to opt out of state schools and educate their children privately, plus some children continuing their education into their early twenties, the costs can carry on for many years.

FINANCIAL SACRIFICE

The overall cost for just one child can end up being about the same as buying an average home in the UK. That's a massive financial sacrifice for many parents, leading them to wonder if it's better to pay for their child's education or save the money to help them onto the property ladder later in life. In any case, without planning ahead, the cost can be a huge money sink or lead to further borrowing. Since 2004, private school fees have increased by 70% – at a much faster rate than inflation and UK salary growth.

Private school fees continue to rise much faster than inflation or average earnings, making it more important than ever for parents considering taking this route to plan ahead.

FEES BREAKDOWN TABLE

Stage	Day school (£)	Boarding school (£)
Prep school	12,516	23,550
Secondary school	14,103	31,854
Sixth form	14,538	33,729

Source: *Information sourced from Independent Schools Council*

WHAT TO CONSIDER

- **Expect fees to rise –** on average around 3.5% a year – Inflation, growth in salaries and increased amount of interest from wealthy families in Asia and Russia wanting to send their children to English boarding schools, mean that private education fees may continue to grow.
- **Don't assume the cost will end at fees –** School uniforms and regular school trips all add up. There will be extra-curricular activities like art, drama, music, and sport to absorb as well.
- **Boarding can be more than double the cost of day school –** By deciding not to board, annual savings of around £15,000 annually per child can be made. So, consider the location of the school, and consider whether it is feasible to commute every day or weigh up the advantages of relocating close to the chosen school.
- **Mixing private education with state education –** Many parents are now delaying private education until secondary school to reduce the cost to below £100,000.

Planning for and researching the right school is often the exciting element, particularly when Open Days allow tours of delightful schools in bucolic surroundings. The hard work starts when analysing how the long-term annual costs are going to be paid for.

SUGGESTIONS ON HOW TO MANAGE THE COSTS:

- **Start planning early –** put simply, the financial planning can't start early enough, even to the extent of allocating money before any children are born. Simply paying school fee costs from current income or capital removes the ability to benefit from the 8th wonder of the world (according to Einstein), which is the magic of compounding returns.
- **Advance schemes –** if you can afford to pay for several years in advance, you may be able to get yourself a good deal from the school. Some schools offer to put that lump sum in low-risk investments – and because of their charitable status, they'll avoid paying capital gains tax on any returns they make. In exchange for pre-payment, a fee discount will be offered by the school. There are terms and conditions and strings attached, but this is worth investigating.
- **Bank of grandparents –** grandparents may want to consider helping to pay for grandchildren's school fees or additional extras such as schoolbooks, trips and uniforms. If grandparents do have the capacity to help financially, this could mean that a useful by-product could be a reduction in their own Inheritance Tax liability, along with the joy of the gift.
- **Discounts and scholarships –** although discounts aren't always publicised and can sometimes be discretionary, it costs nothing to ask. A lot of private schools are willing to provide discounts for enrolling multiple children or even paying fees by monthly direct debit. Always ask about any scholarships or bursaries your child might be eligible for. According to the Independent Schools' Council, a third of children educated at a private school now receive some sort of help with fees.

GOOD ALTERNATIVE OPTION

Private education is not a feasible option for every family, and with an excellent selection of state schools on offer, it doesn't have to be the only good option. There are many other ways to invest in your child's future. For example, if you invested the money you would have spent on day school fees for a full 14 years on your child's behalf, you could provide a sum that could be used to potentially fund university, buy them a house, learn a new skill or set up their own business.. ◀

MOST VALUABLE GIFTS PARENTS OR GRANDPARENTS CAN GIVE

Providing a good education can be one of the most valuable gifts parents or grandparents can give to children. And for those parents hoping to send their children to private school, it is essential to start working out how they will cover costs as soon as possible. To discuss your requirements, or to arrange a meeting, please contact us.

GENERATION STILL TAXED

Numbers nearly double in the last two decades

With so much choice on offer, and with frequent rule changes and distinct tax benefits to consider, finding the right vehicle for your retirement planning is essential.

Add to this the number of taxpaying pensioners nearly doubling over the last two decades, and with talk of also requiring pensioners to pay National Insurance on any earnings or even on pensions, the older population may start thinking of themselves as 'Generation still taxed'.

DETAILED FIGURES

The analysis[1] shows that between the mid-1990s and the mid-2010s, the number of taxpayers over the age of 65 nearly doubled from 3.32 million in 1995/96 to 6.49 million in 2015/16, the last year for which detailed figures are available. It is estimated that the number has broadly stabilised since then and stands at around 6.37 million in 2018/19.

The data covered every local authority in the UK and provided separate information for men and women. The data relates to the 6.87 million taxpayers over State Pension age in 2015/16 and includes around 400,000 women over State Pension age but under the age of 65.

EMPLOYMENT INCOME

Amongst the 6.87 million taxpaying pensioners, the average annual tax bill is £3,522. For the 3.87 million men, the average bill is £4,341; for the 3 million women, the average is £2,467. More than a quarter of taxpaying pensioners are still in paid work – 1.5 million have employment income, and 0.5 million have income from self-employment.

The total amount of Income Tax paid by pensioners in 2015/16 was around £24 billion. Of this, around £21 billion came from England, £1.7 billion from Scotland, £0.8 billion from Wales and £0.4 billion from Northern Ireland.

LOCAL AUTHORITIES

The five local authorities with the highest total tax bill by pensioners were Surrey (£961 million), Hampshire (£763 million), Essex (£756 million), Greater Manchester (£646 million) and Kent (£645 million). This means that pensioners in Surrey are paying more in Income Tax than pensioners across the whole of Wales.

When planning for retirement, it is vital to remember that the tax office will still want a slice of your income, which reinforces the need to put aside enough to secure a decent standard of living, even after the taxman has had his slice. ◀

ONE OF YOUR LARGEST LIFETIME EXPENSES

Whatever your plans for the future, we are here to help you take the next step. It is possible that you could spend a third of your life in retirement, and your income needs do not necessarily reduce just because you stop work. This means your retirement is likely to be one of your largest lifetime expenses. Please talk to us if you want to review your retirement plans.

Source data:

[1] Royal London Freedom of Information Act request – data for 2015/16 for taxpayers over pension age, broken down for each local authority in the UK and for men and women separately. Data gives the number of pensioner taxpayers in each area and how much tax they pay. It also shows how many have income from self-employment, employment, pensions, property and other sources.