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Saver / Investor

Scams cost investors

Victims of pension scams last year lost an average of £91,000 each to fraudsters, new figures show.

Overall, since 2015, the Insolvency Service has wound up 24 companies involved in pension fraud, representing 3,750 victims and £202 million of contributions. In April that year, the pension freedoms were introduced, giving pension savers unfettered access to their pots. This led to a spike in pension scams, as fraudsters attempted to capitalise on pensions becoming more flexible and easier to access. In theory, pension scams will become less commonplace, thanks to the government's implementation of a ban on cold-calling relating to pensions earlier this month. This means in effect that any phone-call that you receive from an unknown person or company, where they ask about your pension, is an illegal call.

All

Pensions – women lose out

Women born in the 1950s, who have been left struggling financially because of changes to the State Pension Age (SPA), are set to suffer another blow under the roll out of Universal Credit, campaigners are warning. A welfare reform due to be implemented on 15 May means some of these women and their partners could lose out on hundreds of pounds a month simply because there is an age difference between them. The Department for Work and Pensions (DWP) has been accused of attempting to bury the announcement for this change. The reform is expected to hit Waspi women in so-called mixed age couples, where one person is of state pension age and the other is still of working age. The effect will be to plunge the poorest further into pensioner poverty and will particularly affect women who traditionally have partners older than them.

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Property Owner

Global recession unlikely

If Britain embarks upon a 'hard' Brexit in March the outcome will not be the economic Armageddon that's hitherto been predicted – that's according to economists from the National Institute of Economic and Social Research (NIESR), who have poured cold water over the dire predictions of the Bank of England. Just last November, the forecast was for a steep 8% recession for Britain – 'worse than 2008' – in the event of the country crashing out of the European Union without a deal in March. But the eye-brow raising forecasts this week from the NIESR go some way to allay fears of an economic collapse if Westminster fails to reach agreement with Brussels, or equally likely it seems with itself. That said, it's still not good news – especially considering worldwide growth expectation of 3.6% in 2019. Experts still expect economic growth to collapse. The big picture is that there will be a material slow down if we have a no-deal and policy makers respond in a mechanical way. In that case it's likely a very sharp slowdown, very likely close to zero. But close to zero is not a recession – and depending on how the Bank of England and government responds if a no-deal were to happen, then the impact could be smoothed out over short term, the NIESR makes clear.

All

UK house prices fall fast as Brexit looms large

The looming threat of Brexit has dragged down the UK property market further, with prices falling at their fastest rate in six years according to the Royal Institute of Chartered Surveyors (RICS). And the outlook does not look exactly rosy. One interesting way of assessing the future is to look to the past, comparing previous housing crashes — the UK recession of the early 1990s, the Japanese asset price bubble, the Asian financial crisis and the global financial crisis of 2008 — with circumstances today. The Bank of England's worst-case scenario for the UK housing market post-Brexit is a downturn roughly on the scale of that in the south east in the early 1990s. House prices in the UK's south-east fell nearly 36% ; in real terms, they fell 47%. Nationally, repossessions peaked at 75,000 in 1991. By 1993 some 1.6m people were estimated to be in negative equity. But experts believe a repeat of such measures is unlikely. We are not going to see people posting their keys back to the banks. Policymakers have got better at dealing with these things in the main.

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Saver / Investor

Government plans to ease cap on workplace pension fees

The UK government has unveiled proposals aimed at increasing workplace defined contribution (DC) schemes' investment in so-called illiquid assets, such as infrastructure. Less liquid assets such as small and medium-sized companies or housing were attractive from a diversification and returns perspective for schemes, and were also important sectors of the economy, according to the government. To get more DC schemes investing in these assets the Department for Work and Pensions (DWP) announced plans for a new way of accommodating performance fees – often associated with illiquid assets – within the 0.75% charge cap on default funds used by auto-enrolment pension schemes. It also proposed a measure aimed at encouraging consolidation, which would require some or all smaller DC schemes to evaluate every three years whether the scheme ought to be merged with a larger scheme and wound up.

Saver / investor / Business Owner

Equity release on the rise

Older homeowners unlocked a record £3.94bn of property wealth using equity release during 2018 – just failing to break through the £4bn barrier for the first time. The total was 29% up on the £3.06bn in 2017 and the seventh consecutive year of growth in the market as recorded by the Equity Release Council (ERC). Meanwhile the £1.08bn of lending completed in the final three months was up 26% from the £838m in the same period last year. This continued the market's growth from the £1.02bn lent in Q3 2018 which was the first time the market broke £1bn for a quarter. Older homeowners are realising in growing numbers that property wealth can play a crucial role in supporting their retirement alongside pensions, savings and other assets.

Industry, regulators and government must continue to explore how we can help generations of retirees, both today and in the future, to adopt a more rounded approach to later life planning.

With a growing choice of products and features on offer, the market is maturing and adapting to offer a new level of flexibility to suit a range of financial needs and ambitions – from funding care costs to helping children to buy their first home.

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FCA gets tough on fund firm fees

The Financial Conduct Authority (FCA) has introduced rules around the use of benchmarks when presenting fund performance, in the second set of remedies published following its asset management market study. The new rules require fund managers to explain why they use certain benchmarks and to reference them consistently throughout the fund's literature once one is selected. The regulator found that fund managers rarely explain why or how they are using particular benchmarks. Some of the ways fund managers use benchmarks, they believe, include as a constraint on how they construct a fund's portfolio, as a target for fund's performance, or as a way for investors to compare the fund's performance. When there is not a benchmark that corresponds with the way a fund is run, the regulator stated that fund managers must still be able to explain how to assess its performance.

All

Families losing up to £1bn in pensions rights

Families that have their child benefit paid to a working parent are losing millions of pounds in pension rights, Royal London has warned. Calculations from the insurer showed one-earner families who chose to have their child benefits paid to the working parent rather than the parent at home with the children were losing £1bn a year in lost pension rights as the stay-at-home parent misses out on National Insurance credits towards their state pension. The warning followed correspondence between the Treasury committee and HMRC in which HMRC stated an estimated 237,000 couples were in this situation. Experts warned of the importance, if you are part of a couple where the higher earner is claiming child benefit, of checking your National Insurance record. Valuable National Insurance credits are available to those who receive child benefit but if the person in work claims the child benefit rather than the stay-at-home parent, there is a risk that these credits are being wasted.

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Property Owner / investor

UK income fund opportunities

2018 was not a good year for UK companies. The stock market suffered its worst year in a decade, falling 12.62% over the calendar year. However, while the collective worth of British companies fell, their earnings held up better. This is good news for investors as it means the dividends these companies pay are on more solid ground. And UK dividends are actually thriving: the dividend yield of the UK stock market stands at an average of 4.8%, with a number of our largest companies paying well in excess of this. Importantly, nine out of 10 sectors saw dividends rise in 2018, so there is plenty of choice for investors. Even the banking sector – which was hit hard after the financial crisis – is in better shape: The Royal Bank of Scotland recently paid its first dividend in 10 years and Standard Chartered paid its first dividend since 2015. Lloyds is distributing more than it did before 2008. Moreover, the dividends cover (a measure of a company's ability to pay dividends in the future) of the UK stock market also looks healthy for large, medium and small businesses.

The strength of UK dividends is important not only for investors seeking an income, but also for those looking for healthy total returns. For example, while the UK stock market fell more than 12% last year, if dividends paid by UK companies had been reinvested, the fall was a slightly more palatable 8.82%.

Property Owner

Over 55s caught by pensions tax trap

The money purchase annual allowance (MPAA) has trapped almost one million over-55s, who must now live with a permanent reduction to the amount they can put into their pension tax free.

For individuals wishing to dip into their retirement pots using the pension freedom rules, tax relief is available on contributions up to £40,000 a year, but those who have already made a flexible withdrawal, instead become subject to the MPAA of £4,000 a year. Experts fear that many savers who took cash from their pensions are unaware that their tax relief limits have been slashed. Data from HM Revenue & Customs has revealed 980,000 over-55s who used the pension freedoms between 2015 and 2019 have been caught by the MPAA, the Financial Times reports. As a result, their annual allowance has been cut from £40,000 to £4,000. The figures were released following a freedom of information request by Just Group. Industry leaders have called on the regulator to ensure people are able to receive independent and impartial guidance to prevent people from making uninformed, irrevocable choices that can cause harm.

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