money matters

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Over-65s set new employment record

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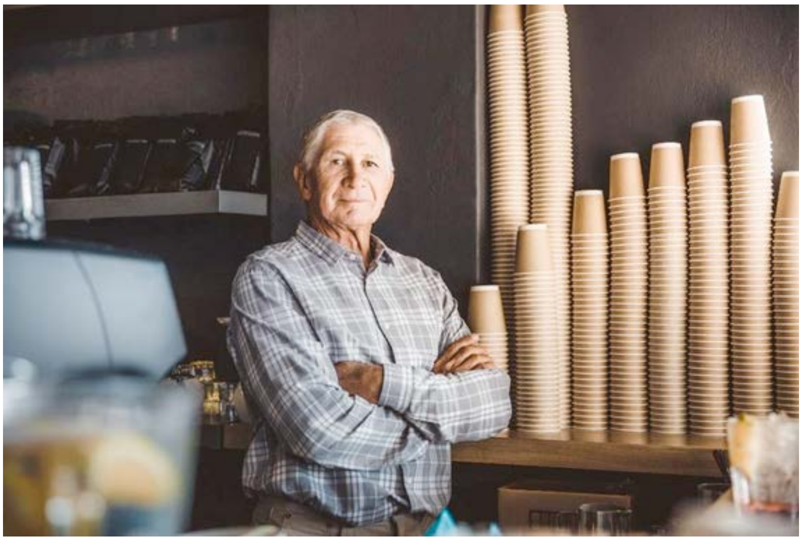


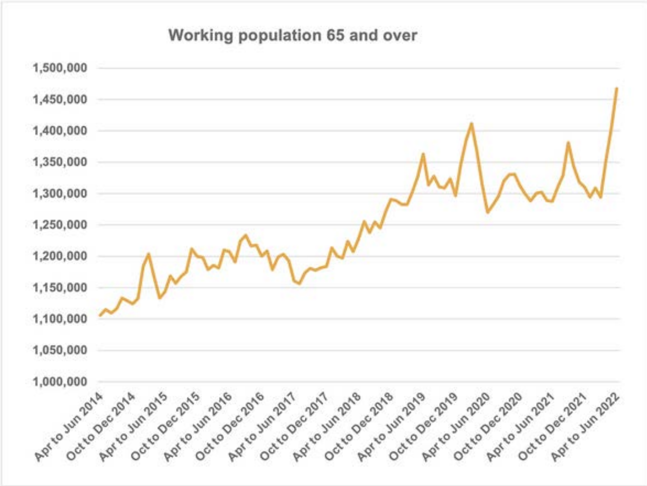
One of the stranger economic statistics of recent times has been the strength of employment markets on both sides of the Atlantic.

For all the talk of an impending recession and the upward march of interest rates, employment has remained buoyant in both the UK and the US. The unemployment rate in both countries is under 4.0%, which is about as close to full employment as can be reached.

The latest estimate for the UK is that unemployment numbers are 42,000 less than job vacancies, whereas in the US, job openings are double the unemployed numbers.

A notable feature of the UK employment market has been the increase in the population aged 65 and over who are in work. The latest data from the ONS – covering the period April to June 2022 – showed both a record quarterly increase and a record total of close to 1.5 million, of whom nearly three quarters were employed. Viewed another way, 15.5% of men and 9.2% of women aged 65 and over were in work during this period.

The longer-term ONS figures show that over the last ten years, while overall employment has risen by about a tenth, employment among those aged 65 and over is up by a little over a half. These senior workers are not labouring all week, but they are, on average, putting in nearly 22 hours. The recent joiners of the 65-and-over workforce are predominantly part-timers, both employed and self-employed, according to the ONS.



Source: ONS 9/2022.

What the ONS statistics do not reveal is why employment is growing so rapidly in this sector of the population.

There is a clue in the fact that, to quote the ONS, "The industries where informal employment is more common, such as hospitality and arts, entertainment and recreation, saw some of the largest increases."

The combination of sharply rising inflation and the increase in state pension age to 66 is likely to be forcing some former retirees back into work to make ends meet. It does not help that the April 2022 increase in the state pension was 3.1%, less than a third the current (August) rate of CPI inflation.

If the idea of joining that growing band of those still working at 65 and over does not appeal, then make sure your retirement planning provides you with enough income when you need it.

The fight against rising inflation

The latest data from the Office for National Statistics (ONS) reveals that more people than ever are working beyond age 65.

The peak reading for inflation is likely to have been changed by the government's September decision to introduce a 'price cap' of £2,500 on utility bills.

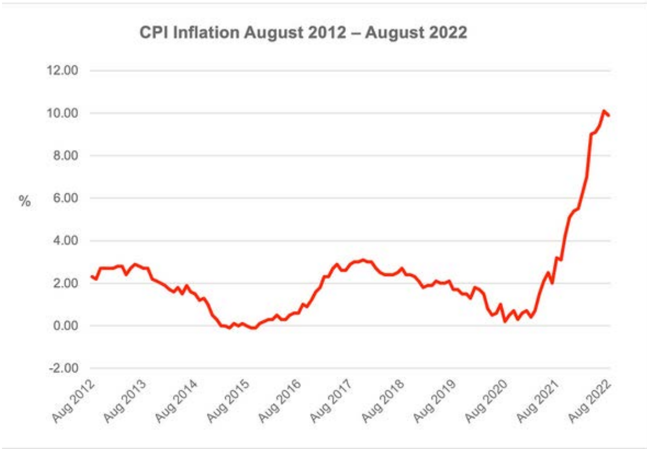
Of course, the cap is no such thing – you could pay more than £2,500 – but what it represents is a ceiling on standing charges and unit prices.

Although press coverage has said the new cap will reduce inflation by up to 5%, the decision on whether it does rests with an interpretation of its operation by the Office for National Statistics (ONS), the guardian of inflation measurement.

For example, the ONS decided that the £400 flat rate rebate from October 2022 to March 2023 is an increase to household income rather than a reduction of household expenditure and so does not affect inflation.

Whatever the ONS decides, it is likely that your income will not keep pace with inflation in the near term.

If you are searching for ways to cut expenditure, there are plenty of often overlooked opportunities.



Source: ONS.

Here are four quick examples:

- Check how you pay your regular bills. Household and general insurance premiums are often usefully cheaper if paid on an annual basis, rather than monthly. Amazon Prime is another good example of favouring the one-off basis – the new cost is £95 a year or £8.99 a month (£107.88 for 12 months if paid monthly).

- On the other hand, electricity and gas suppliers prefer payment by monthly direct debit to quarterly billing and the utility price cap reflects this.

- Think carefully before automatically renewing contracts for services such as broadband. While the Financial Conduct Authority has now prevented insurance companies from charging more to renewing policyholders than new clients, so-called 'loyalty penalties' abound elsewhere. You could find that merely threatening to switch provider will see a 'customer retention unit' offer you a lower renewal cost.

- Pay attention to your credit cards. Borrowing by card is expensive – often 20% plus –although these days it is usually less costly than a bank overdraft, where rates charged above any interest-free element are typically a shade under 40%. At the opposite end of the spectrum, some credit cards (and debit cards) provide cashback (or vouchers/points) on all purchases, albeit normally at below 1%.

Never too early to plan ahead

Pension savers struggling to save enough for their later years.

There is no doubt that the UK is facing a retirement income crisis. With wage stagnation and rising living costs, many people are struggling to save enough for their later years.

This is particularly true for those on lower incomes, who are often unable to access employer-sponsored pension schemes. The situation is made worse by the fact that the State Pension is not enough to live on, and many people may not be eligible for it.

Addressing the retirement imcome crisis

The government has introduced a number of measures to try to address the retirement income crisis, but these have so far failed to make a significant impact. The situation is only likely to worsen in the future, unless action is taken.

The average earner in their thirties is on track to see their pension pot reduce by £15,000 by the time they retire due to wage stagnation. The findings from a recent Retirement Report has revealed that the average earners in their 30s who were auto- enrolled in a company pension scheme in 2012 will have potentially contributed £7,000 less by 2024.

Coping with the financial pressures

These 'lost contributions' result in an overall £15,000 reduction to the individual's total pension pot at retirement due to lost compound interest.

The survey found that four out of five adults (81%) are concerned about making ends meet in the current cost of living climate, with three-quarters (76%) saying they need to take action to cope with the financial pressures. The study revealed that over a third (35%) plan to cut back on non-essential leisure and holiday spending, while others are being forced to make harder decisions, such as cutting back on essentials like food and utilities (16%).

Sustaining a decent living in retirement

UK pension contribution rates over the past few decades have been chronically low compared to European countries and, for the average saver, a joint employee-employer contribution rate of 8% will not be enough to sustain a decent living in retirement, leaving people with less retirement income over and above the basic safety net of the State Pensions and retirement benefits.

Over half (57%) of those surveyed said they were concerned about their finances in retirement, while a similar number (50%) revealed they don't feel they are preparing adequately for retirement.

Investment returns are important

Almost a fifth (18%) said their pension savings are invested in cash or cash-like assets, or low- risk assets such as UK Government bonds; or that they are planning to invest their pension in such assets.

This means, according to the report, the average person between 35 and 54 years old – an age when investment returns are important – who holds half of their £36,200 pension savings fully in cash could be exposed to a reduction of over £1,300 in a single year in real terms, and over £2,100 in two years.

Current retirement plans on track

There's a whole lot to think about when you're planning for retirement. From thinking about when to retire to what to do with different pension pots, planning for retirement can be both exciting and daunting. If you would like to review your current retirement plans to make sure you are on track, please contact us.

It's good to talk!

More young adults are more engaged about money with their parents than past generations

When it comes to conversations about money, more and more families in Britain are opening up, new research reveals.

This is a significant increase from previous years, when such conversations were considered taboo.

The survey shows that families are becoming more comfortable talking about money, and that children are becoming more interested in learning about personal finance.

Value for money

There are many reasons why families might choose to have these conversations with their children. For one, it can help teach them the value of money and how to manage it responsibly. It can also help them understand the family's financial situation and make informed decisions about their own future.

It's clear that more and more families are finding value in talking about money with their children. And that's a good thing for everyone involved.

Uncomfortable conversation

As a nation we have historically seen money as an uncomfortable conversation, but times are changing. Talking about money matters openly when growing up can help children and young adults prepare themselves for dealing with finances once they leave home or start work.

Younger adults are significantly more likely to have talked about money matters with their parents when growing up compared to the generations that went before them.

Savings habits

Three in four (76%) 18-24-year-olds spoke to their parents about money matters when they were growing up. This compares to just 43% of those 65 or over, 52% of 55-64-year-olds and 58% of 45-54-year-olds.

Parents who talk to their children about money could make them more likely to be aware of considerations around day-to-day spending, as well as the need for longer-term savings habits.

Lower incomes

The research also reveals that those in lower income households are least likely to have talked about money with their parents when growing up. Just over half (54%) of those in households with an annual income of less than £20,000 talked about money with their parents as a child. This compares to 62% of people in households that earn between £40,000 to £59,000.

Those who now have an annual household income of over £100,000 a year are most likely to have spoken with their parents about money as a child (68%).

Creating wealth for future generations

When your children have a clear picture of what matters to them most, they become more confident in what they want to achieve. With that confidence comes a sense of certainty about their future plans.

To discuss how we can assist with their future goals and help them create future wealth, please get in touch.

How to protect you and your family's future

What kind of protection insurance do you need?

There are various complex risks in life that we all face, such as serious illness, an accident or death.

What would happen if something were to happen to you? Would your family be able to cope financially with the impact an unexpected event might have?

These are not easy questions to ask but it is important to consider what would happen if an unexpected event or accident took place.

How you could protect your family from the financial effects of serious illness or death.

Big part in our lives

Deciding what your priorities are and understanding what options you have are key parts of the protection planning process. This helps you ensure that you have the financial protection most suitable for your circumstances. Every family is different, but they often play a big part in our lives. It's important to think about how we can protect them against the unexpected as best we can.

Protection for the unexpected life insurance

Death is an unpredictable event, so it's important to make sure you have the right level of cover in place. The amount of life insurance you need will depend on your individual circumstances. There are many good reasons to take out a policy. For example, if you have dependents who rely on your income, then life insurance can provide financial security for them if you die.

There are different types of life insurance available, so choosing the right policy for your needs is key. Term life insurance provides cover for a set period of time, while whole of life insurance covers you for your entire life. You can also choose between level term insurance, which pays out a fixed amount if you die during the term of the policy, and decreasing term insurance, which pays out less as the policy progresses.

There is also a variation on the basic term assurance theme that is often worth considering as it can reduce the cost of cover. Family Income Benefit is a policy with a sum assured that reduces uniformly over time but provides regular payments of capital on the death of the breadwinner (the life assured). If you have any debt, such as a mortgage, then it's also important to take out life insurance to make sure that this is paid off if you die. This will give your loved ones peace of mind and prevent them from being burdened with debt.

Income Protection Insurance

There are a number of reasons why income protection insurance should be a part of your protection planning. Firstly, it can help to protect your income if you are unable to work. This could be due to an illness, injury or disability that means you are unable to work. It can help to cover the costs of your everyday living, such as your mortgage or rent, bills and food.

If you do not have sufficient protection in place this may mean you have to rely on your savings, or on the help of family and friends. Income protection insurance is especially important if you are self-employed or have a family to support. If you are unable to work, your income protection policy will provide you with a replacement income so that you can continue to meet your financial obligations.

There are different types of income protection insurance available, so obtain professional financial advice to ensure you can compare the different options and fully understand the terms and conditions of the policy.

Critical Illness Cover

If you become seriously ill or are diagnosed with a specified critical illness, even if you are still able to work, critical illness cover could provide you with a financial safety net. It can help to pay for treatment, to make adaptations to your home or lifestyle, provide an income for your family if you are unable to work or other costs associated with your illness. In some cases, it may even pay out a lump sum if you die as a result of your condition. The tax-free money from the policy could be used to help cover the cost of treatment, make adaptations to your home or lifestyle or provide an income for your family.

There is no guarantee that you will not experience a critical illness during your lifetime, so it is important to have this type of cover in place. It will give you the peace of mind of knowing that you and your family are financially protected if the worst were to happen. Critical illness cover is not a substitute for health insurance.

Need a helping hand for you and your loved ones

Do your children, partner or other relatives depend on your income? Many families would have to cut their living costs in order to survive financially in the event of the main breadwinner falling ill or dying prematurely. If you are unclear on your protection requirements, we are here to explain your options. Please contact us for more information.