money matters

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Time to get your retirement plans in motion?

Three in five Britons feel stressed about later life planning

It's only natural, in a world where most people are worried about things that are beyond their control – the rising cost of living, increasing inflation and interest rates that haven't been seen for years – that you may also feel out of your depth when it comes to things like pensions and later life preparations.

When it comes to later life planning, more than three in five people (61%) feel stressed when they think about their retirement.

This figure rises to almost three-quarters (74%) of 25–34-year-olds, new research has highlighted. Unsurprisingly, given the current economic climate, all age groups, with the exception of the over-55s, admit to being stressed about: whether or not they will have enough money set aside at retirement to do all the things they want to do (71%); how long their pension pot will last (65%); whether or not they are paying enough into their pension pot (59%); and how early they need to start paying into a pension (49%).

In the majority of cases, the most anxious across all age groups are the 25–34-year-olds, with the starkest contrasts in numbers being around how early they need to start paying into a pension (70% vs 49% nat.avg), whether or not they should have more than one pension pot (70% vs 50%) or if they are paying enough into their pension savings (77% vs 59%).

However, with a little planning and simple rules of thumb, you can feel more in control of your savings and know if you are on track for the lifestyle you want in your retirement.

Give you greater control over when you retire and with how much money

How long? Aim to save for your retirement at least 40 years before you want to retire. The later you leave it, the more you will need to save each month to reach your target.

How much? Try to save at least 12.5% of your salary towards your pension every month – this may seem challenging at the moment but something to aim for.

And remember, this can include money from you, your employer and the government.

Final pot size? Aim to amass a pension pot of at least ten times your salary by the time you retire.

Tax relief: Take advantage of the tax relief offered by the government to boost your savings. When saving into a pension, for every £8 you save, the taxman adds an extra £2.

Employer contributions: Every employer in the UK must provide eligible employees with a workplace pension.

Not only that, but they must contribute to this pension.

Some employers will contribute more if you save more, helping towards the 12.5% target.

Invest wisely: By investing your money, in a pension or elsewhere, your money can grow through to your target retirement date.

I**nvestment risk:** The value of investments can go down as well as up and you may get back less than has been invested but remember that investing in a pension is a long-term investment and over time you could reap greater rewards.

Keep checking: Saving for your retirement should not be a 'set and forget' activity. Use your annual pension statement to check if you are on track for your retirement target.

Reframe your expectations: Life expectancy in retirement could be 20 years or more, so bear in mind how long your money may need to last.

Use the pension freedoms: From 2015, the pension freedoms allow more flexibility in retirement planning, but take time to understand the options before acting.

Search for lost pensions: There are close to 3m lost pensions in the UK where pension providers and clients have lost touch with each other; this equates to £26.6bn, or £9,470 per person[2].

If you think you've lost touch with a pension check with the Pension Tracing Service.

Need a helping hand with your retirement plans?

Using expert advice to help plan your pension could help you to achieve greater financial freedom when you decide to stop working.

Find out how we can help guide your future plans. If you would like to reassess your current financial situation and review your goals, we're here to listen.

What sort of lifestyle will you be able to afford?

How inflation could be impacting on your retirement plans

Inflation can affect your retirement savings depending on what you do with that money. Leaving your money in a bank account with low interest is a risk, as your money will not outgrow the rate of inflation.

Thats why it's important to have an understanding of how inflation could be impacting your retirement plans and how best to respond. With the right strategies in place, you can still make progress towards achieving your goals and remaining financially secure during retirement.

Retirement Plans

The first thing to know is that inflation won't necessarily derail your retirement plans. The important thing is to recognise the impact it has on long-term savings and investments and take proactive steps to keep your goals in sight.

One option is to review your investment portfolio and consider assets that have the potential to outperform inflation. It may also be worth assessing and identifying further opportunities for growth and investment diversification.

Financial Objectives

Although inflation may have an impact on short-term finances, its e%ects are typically less dramatic over the long term. Regularly reviewing your financial objectives and taking steps such as increasing contributions to a pension plan or Individual Savings Account (ISA) can help ensure your retirement plans remain on track.

When it comes to managing cashflow, paying o% debt should take priority over building up savings if you want to keep pace with inflation.

Reducing interest payments can free up more money each month which can then be put into a retirement fund or other investments.

Increased Contribution

If you find yourself falling behind on your retirement savings, it is important to take action now to get back on track.

A useful first step could be to review your budget and identify any areas where you can reduce discretionary spending in order to maintain or even increase how much you are regularly contributing towards your pension.

This increased contribution will benefit from tax relief at your marginal rate of Income Tax up until age 75, making it an especially valuable move. However, make sure you only contribute what you can really afford, as pension money is locked away until age 55. (rising to age 57 from April 2028).

Phasing Retirement

It is worth remembering that the amount you contribute should reflect what you can realistically afford in order to avoid taking on more financial commitments than you can manage over the long term.

Phasing into retirement is an option to consider.

It would mean you can still maintain relationships and stay engaged with the professional world. Also, by working part-time or flexibly, you might be able to keep your pension fully invested and draw on other savings and investments to top up your lower income and still be able to retain benefits such as healthcare.

This could help to provide additional financial security in your later years.

New Opportunities

Additionally, a phased retirement gives you time to explore new opportunities and interests outside of work, while still earning money. It can also be a way to transition out of the professional world slowly and give yourself time to adjust to life after work. Whatever your motivations for a phased retirement, make sure it's right for you and that you fully understand the implications for your finances.

Do your research and consider all scenarios before making any decisions about when you will retire.

Remember that no matter what your decision is, it's important to review all aspects of your finances. This will help ensure that you have the best chance at achieving a comfortable retirement lifestyle. With the right planning, phasing or delaying retirement could be a choice that helps you to have the retirement that you want.

Financial Benefit

Before deciding whether to take a tax-free lump sum from your pension, professional advice should always be sought so you fully understand the implications of withdrawing large sums in one go.

You will need to consider not only the immediate financial benefit, but also how it might affect your future retirement income. This means looking at your options, discussing potential risks, suggesting appropriate strategies and explaining possible tax consequences so that you can make an informed decision about your pension.

Ultimately, receiving professional advice will help you decide whether taking a lump sum from your pension is the best decision for you and your longterm financial security.

Managing Finances

Individual Savings Accounts (ISAs) are another tax-efficient way to supplement your income in retirement. Unlike pensions, the proceeds you withdraw from an ISA are completely tax-free.

So if you have any savings that you can put aside relatively safely and access when necessary, this could be an ideal solution for managing your finances during retirement.

It may also be appropriate for you to consider investing in stocks or bonds, as these could provide even greater returns over time with some risk attached. However, it's important to remember that stock market investments carry a certain amount of risk and can go down as well as up, so professional advice should always be taken before investing large sums of money.

Golden Years

When planning your retirement income, make sure you factor in other sources such as inheritance or rental income. This will help to ensure that you have enough money to enjoy your later years in comfort and security. Additionally, annuities may also be a way to turn your pension pot into a regular income stream. An annuity is an insurance policy taken out with an insurer that pays out a fixed sum each year until the policy matures or you pass away.

Overall, you should consider all of your options when planning for retirement. Using professional advice and understanding the di%erent types of investments available can help you make informed decisions and maximise your income during the golden years of life.

Need to protect your long-term savings and investment from inflation?

To discuss the measures necessary to protect your long-term savings and investments from inflation to achieve your retirement goals, please contact us for more information.

Tracing old & lost pensions

Nearly half of pension holders have lost track of some of their pension pots

The lost pensions challenge in the UK has grown significantly in recent years, further exacerbated by the pandemic, which resulted in a large proportion of people moving jobs. A recent Pension Policy Institute research briefing calculated the total value of lost pension pots has grown to £26.6 billion in 2022.

If you've worked for several employers throughout your career, you might have accumulated multiple pension plans. You may also have set up personal pensions, especially if you've been self-employed or a contractor at some point.

Administrative burden

Owning multiple pensions can be an administrative burden, but it could also be costing you financially – whether that's through excessive fees or poor investment performance.

Today, nearly half (46%) of UK pension holders have lost track of some of their pension pots, according to new research.

This means that – against the backdrop of the rising cost of living – millions of people across the country could right now be missing out on pension pots that are sat with their previous employers.

Retirement plans

Nowadays, the average UK employee has 11 jobs over their lifetime, the research highlights.

So while it's understandable that savers may forget how many pension pots they've accrued over the years, they currently risk incurring unnecessary management fees – or even missing out on those savings altogether – at a time when higher inflation threatens to spoil their retirement plans.

Moreover, savers who have kept track of their pension pots will be in a much better position to make informed retirement decisions when they get older.

13% of people did not know how to track down a pension pot from their previous job. And although savers currently have the option of combining their pensions, 16% didn't know how to go about tracing their lost money.

Multiple pensions

This lack of knowledge is particularly worrying. Having multiple pensions with di%erent employers or pension providers can create an unnecessary headache for retirees, and this will come at a time in life when things should ideally be less challenging for them.

To complicate matters even further, the number of workers with small pension pots of under £1,000 has skyrocketed in recent years. The Pensions Policy Institute (PPI) has predicted that the problem is only going to get worse, with the number of small pots set to triple to 27 million by 2035.

Better retirement

The recent PPI research on lost pension pots also indicated that the speed at which pension pots were being classified as lost was increasing, with an extra 1.2 million pots having been 'lost' in the four year period between 2018 and 2022. That's a 75% increase in lost pots in just four years.

While consolidation will not be the best option for all pots, for some people consolidating their pensions into one pot would undoubtedly bring them much closer to their money, increasing their sense of ownership and control, and potentially setting them up for a better retirement.

Looking to keep track of your finances more easily?

Consolidating your pensions into one pot could help you keep track of your finances more easily, reduce charges and boost how much money you have in the future. But while there are advantages to pension consolidation, there are potential drawbacks and it's important to seek advice on whether it's right for you. If you would like to review your current plans, to meet your financial goals now and in later life, please contact us.

Can you really trust your Will?

Discretionary trusts can help protect your loved ones inheritance

When it comes to planning for the future and protecting our loved ones, creating a will is an important step. But what happens when we want to ensure that certain beneficiaries are taken care of, even if they aren't specifically named in the will?

That's where discretionary will trusts and letters of wishes come in!

A discretionary will trust is a fancy way of saying that the people in charge of your trust (called trustees) have The power to decide how your assets will be distributed among your beneficiaries. This is a great way of protecting vulnerable beneficiaries, like children or those with special needs, because the trustees can make sure that the inheritance is used in the best interest of the beneficiaries.

Letters of wishes are like a personal note from you to the trustees. It's a way for you to provide some guidance and

instructions for the trustees about how you'd like your assets to be distributed among your beneficiaries. Think of it like a love letter to your future self, or in this case, your loved ones.

One of the best things about discretionary will trusts and letters of wishes is that they provide a level of flexibility. Life is unpredictable and things can change, so it's important to have something in place that can adapt to those changes. For example, if a beneficiary's needs change over time, the trustees can adjust the distribution of assets to ensure they are still taken care of.

Another perk is that discretionary will trusts and letters of wishes can offer protection for your beneficiaries from creditors. The assets in the trust are generally protected from creditors and lawsuits, so it's a great way to ensure that your loved ones are taken care of even in the event of unexpected legal issues.

Lastly, and by no means least in a society where second (and even third) marriages are commonplace, discretionary will trusts and letters of wishes can be a lifesaver for blended families. It can provide a way for parents and other individuals to safeguard the inheritance of all beneficiaries and make sure that no one is left out.

In conclusion, discretionary will trusts and letters of wishes are like a safety net for our loved ones. They provide a level of flexibility, protection from creditors and lawsuits, and a way for parents and other individuals to safeguard the inheritance of vulnerable beneficiaries.

If you're thinking about creating a will, it's definitely worth talking to us to see if a discretionary will trust and letter of wishes are right for you.

Don't miss the ISA deadline

Use your tax-efficient allowance or lose it forever.

Time is running out to take advantage of this year's Individual Savings Account (ISA) allowances. You get one ISA allowance per tax year. So use it or lose it soon, when the tax year ends on 5 April.

Any unused ISA allowance will not be rolled over into the new tax year. On 6 April when the new tax year starts, if you haven't used all of your or your children's ISA allowances from the previous tax year, they will be lost forever.

Want to know more about investing in an ISA? Your ISA questions answered.

Q: What is an Individual Savings Account "ISA"?
A: An ISA is a 'tax-efficient wrapper'. Types of ISA include a Cash ISA and Stocks & Shares ISA. A Cash ISA is similar to a normal deposit account, except that you pay no tax on the interest you earn. Stock & Shares ISAs allow you to invest in equities, bonds or commercial property without paying personal tax on your proceeds.

Q: Can I have more than one ISA?
A: You have a total tax-efficient allowance of £20,000 for this tax year. This means that the sum of money you invest across all your ISAs this tax year (Cash ISA, Stocks & Shares ISA, Lifetime ISAs, Innovative Finance ISA, or any combination) cannot exceed £20,000. However, bear in mind that you have the flexibility to split your tax-efficient allowance across as many ISAs and ISA types as you wish. For example, you may invest £10,000 in a Stocks & Shares ISA and the remaining £10,000 in a Cash ISA. This is a useful option for those who want to use their investment for different purposes and over varying periods of time.

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Q: When will I be able to access the money I save in an ISA?
A: Some ISAs may tie your money up for a period of time. However, others are flexible. If you're after flexibility, variable rate Cash ISAs don't tend to have a minimum commitment. This means you can keep your money in one of these ISAs for as long – or as short – a time as you like. This type of ISA also allows you to take some of the money out of the ISA and put it back in without affecting its tax-efficient status. An ISA is a tax-efficient way to invest because your money is shielded from Income Tax, tax on dividends and Capital Gains Tax.

On the other hand, fixed-rate Cash ISAs will typically require you to tie your money up for a set amount of time. If you decide to cut the term short, you usually have to pay a penalty. But ISAs that tie your money up for longer do tend to have higher interest rates.

Stocks & Shares ISAs don't usually have a minimum commitment, which means you can take your money out at any point. As with all investing, it's recommended that you invest your money for at least five years or more. Staying invested for longer allows your investment to grow and to better weather any market volatility. With the cost of living in the UK rising at its fastest rate in 41 years, can you really afford to see the purchasing power of your hard-earned savings stagnate in a bank account?

Q: Could I take advantage of a Lifetime Transfer?
A: You're able to open a Lifetime ISA if you're aged between 18 and 39. You can use a Lifetime ISA to buy your first home or save for later life. You can put in up to £4,000 each year until you're 50. The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year.

Q: What is an Innovative Finance ISA?
A: An Innovative Finance ISA allows individuals to use some or all of their annual ISA allowance to lend funds through the Peer to Peer lending market. Peer to Peer lending allows individuals and companies to borrow money directly from lenders. Your capital and interest may be at risk in an Innovative Finance ISA and your investment is not covered under the Financial Services Compensation Scheme.

Q: What is a Junior ISA?
A: This is a savings and investment vehicle for children up to the age of 18. It is a tax-efficient way to save or invest as it is free from any Income Tax, tax on dividends and Capital Gains Tax on the proceeds.

The Junior ISA subscription limit is currently £9,000 for the tax year 2022/23.

Q: Is tax payable on ISA Dividend Income?
A: No tax is payable on dividend income. You don't pay tax on any dividends paid inside your ISA.

Q: Is Capital Gains Tax (CGT) payable on my ISA investment gains?
A: You don't have to pay any CGT on profits.

Q: I already have ISAs with several different providers. Can I consolidate them?
A: Yes you can, and you won't lose the tax-effcient 'wrapper' status. Many previously attractive savings accounts may cease to have a good rate of interest, and naturally some Stocks & Shares ISAs don't perform as well as investors would have hoped. Consolidating your ISAs may also substantially reduce your paperwork. We'll be happy to talk you through your options.

Q: Can I transfer my existing ISA?
A: Yes, you can transfer an existing ISA from one provider to another at any time as long as the product terms and conditions allow it. If you want to transfer money you've invested in an ISA during the current tax year, you must transfer all of it. For money you invested in previous years, you can choose to transfer all or part of your savings.

Q: What hapens to my ISA if I die prematurely?
A: The rules on ISA death benefits allow for an extra ISA allowance to the deceased's spouse or registered civil partner. ISAs are one of the most straightforward ways to achieve tax-efficient gains. Remember you can currently invest up to £20,000 this tax year in an ISA, so a couple can put £40,000 out of the reach of the taxman.

And don't forget your children or grandchildren. Parents and guardians can invest up to £9,000 in a Junior ISA. To find out more or discuss your requirements, please contact us.