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evolve

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moneyweb
11 Betton Business Park, East Ayton, Scarborough, North Yorkshire YO13 9HD
Tel: 01723 378 234 **Email:** enquiries@moneyweb-ifa.com **Website:** www.moneyweb-ifa.com

welcome

Welcome to our latest issue of *Evolve*. A return to how life was at the start of 2020 is some way off. Even now that lockdown restrictions are starting to be eased, coronavirus (COVID-19) will continue to affect our lives in many ways.

The COVID-19 pandemic has had a dramatic effect on the global economy. Around the world, economic activity has dried up. Fewer consumers are buying and fewer companies are investing. But if you take the view that inflation will start to go up in the long term, on page 06 we look at why it is worth considering whether your savings and investments could be affected. After all, you need your investments, and the income from them, to keep pace with inflation to maintain the value of your buying power.

Mental health conditions might not be as easy to pin down as physical health conditions, but insurers are increasingly recognising the need to provide cover and support to people suffering with mental ill health. And with mental health behind so many income protection claims, on page 08 we look at why it's worth reviewing what protection you have in place.

The coronavirus pandemic has touched virtually every part of our lives and is having a widespread impact across all aspects of financial life, including retirement plans. As a result, a significant number of people aged over 50 and in work are potentially considering delaying retirement by an average of three years, or will continue working indefinitely on a full or part-time basis, as a direct result of the COVID-19 pandemic, according to new research which we look at in greater detail on page 05.

The coronavirus crisis has drastically changed all aspects of life as we know it, but it has also brought a sharper focus on money, particularly in how prepared we are to weather unexpected financial events. We hope you find this issue useful, and if you require any further help or guidance, please do not hesitate to contact us.

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Quick-fire questions

Victoria Milner – Practice Manager

1. If you could only eat one meal for the rest of your life, what would it be?
Chicken with Salt & Pepper Chips

2. If you could have any one superpower, what would it be?
Invisibility

3. If you could be an animal, which would it be?
African Elephant, as their lifespan is 60–70 years!

4. If you could travel around one country, which would it be?
Anywhere I could go on safari and see animals in the wild, especially elephants!

5. What would be the number one thing to do on your bucket list?
Visit the Northern Lights

6. What is your favourite TV show?
Friday Night Dinner

7. What is your biggest fear and/or phobia?
Heights

8. Which would be more important to you if stranded on a desert island: company or supplies?
Supplies

9. Sweet or Savoury?
Sweet

10. Would you rather be 10 years younger, or 10 years older?
Younger

Sponsorship Blog

An update from Lois Teal

After being excited about the 2020 eventing, COVID-19 has obviously been a huge obstacle. Nonetheless, I think we have all got to be grateful to have our health, loved ones and remember not to take those things we enjoy for granted. I have kept my horses in work, and I am excited for the eventing to get back up and running.

As well as COVID-19 preventing me from eventing this season, the weather has also not been on my side. I had my main two horses (Z7 Catastrophe and Carnsdale Talk Talk) both entered for the BE100 class at Epworth in March, but unfortunately due to the very wet ground the event was sadly cancelled. My two main horses have been kept in full work; however, they have not been out schooling much. I think it is important to keep the horses fresh and enjoying their work rather than over jumping them when there is no definite goal in sight. Nonetheless, now there has been somewhat of a green light for eventing, they are back out having lessons and they are ready to crack on now. I also have a nice bunch of young horses, and they have managed to have a good education during lockdown. I am excited about getting them out competing shortly. In some respects, they have thrived from lockdown because they have had plenty of schooling and have learnt lots, but now I feel they are ready to get out and be competitive.

COVID-19 has altered my initial 2020 plans, and with no confirmed resumption date to the equestrian sphere, it makes it difficult to aim my team for events. Fingers crossed for a resumption of British Eventing in July, but entries are still yet to be open, so I am patiently waiting.

I have different plans for all of my horses, and they are all at different stages. Z7 Catastrophe had earnt his ticket to the Corinthian Cup at Gatcombe again this year after winning his novice event at Askham Bryan at the end of last season. I am once again excited for Carnsdale Talk Talk (owned by Mrs Collins) to get back out, and he will aim for novice this year and hopefully some working hunter classes too.

I have a few new members to my eventing team this year, Astronautes Voyage and Trudlock Ferocious Fred. Astronautes Voyage (owned by Jason Hart and Jess McLernon), a seven-year-old Connemara gelding by Cashelbay Prince, is a super pony! He has a huge jump and is also working very nicely on the flat at home. His aim will hopefully be novice, laterally in the season (subject to competitions being on). Trudlock Ferocious Fred is a horse my brother, Jack, and I have had for a couple of years. He is a rising four-year-old, out of Primitive Faerie Tale, and he has masses of potential. My main aim for him this year is Osberton 4YO Championships in October. I have in mind the 5YO BYEH classes for him next year. I am thankful to my owners for their continued support, especially during such uncertain times. All four horses are ready to rock and roll when BE entries reopen.

As well as riding my own horses at home, I have recently started riding out again for Group One winning racehorse trainer Richard Fahey at Musley Bank Stables. Unfortunately, the Macmillan Charity Race that I was hoping to race in, on 13 June at York Racecourse, has been postponed until next year. I have not let the race delay prevent me from training. I think the delay is a great opportunity for me to improve my technique, strength and knowledge of race riding. Richard Fahey and Robin O'Ryan have been great with me, giving me lots of opportunities to learn and improve. I am grateful to professional jockeys Tony Hamilton, Barry McHugh and Jamie Hamilton who keep giving me tips and advice to improve on.

I am excited to be back out competing and feel confident that my horses are in great form too. I think time spent in lockdown has been a great opportunity to reflect and really value all that matters in life and appreciate those around you. My family and I have all really pulled together, working hard to make yard improvements and educate the horses. Moving forward, I wish everyone all the best for the rest of 2020, and hopefully the latter half of the year can be better than the former. Keep safe, happy, and healthy! ■

Best wishes, Lois xx

I am excited to be back out competing and feel confident that my horses are in great form too. I think time spent in lockdown has been a great opportunity to reflect and really value all that matters in life and appreciate those around you.

Thinking ahead

How our retirement plans may change in response to the coronavirus pandemic

The coronavirus (COVID-19) pandemic has touched virtually every part of our lives and is having a widespread impact across all aspects of financial life, including retirement plans.

As a result, a significant number of people aged over 50 and in work are potentially considering delaying retirement (15%) by an average of three years, or will continue working indefinitely on a full or part-time basis (26%), as a direct result of the COVID-19 pandemic, according to new research[1]. The findings also suggest that people, particularly those who have been furloughed or seen a pay decrease, would benefit from a financial review to assess their options before changing their plans.

Delay retirement

Data from the Office for National Statistics currently shows the number of workers aged above 65 years is at a record high of 1.42 million[2]. However, if people change their retirement plans in response to the pandemic, this could increase considerably.

While, on average, those who plan to delay their retirement expect to spend an additional three years in work, 10% admit they could delay their plans by five years or more. These figures are significantly higher for the 26% of over-50s workers who have been furloughed or seen a pay decrease as a result of the pandemic. 19% of these workers will delay, and 38% expect to work indefinitely.

Future plans

Some retirees nearing retirement age might need to be flexible with their plans for the future. It's uncertain just how long it will take for life to return to normal, and while some people may still be able to retire right on schedule amid the COVID-19 crisis, others may need either to postpone retirement or consider retiring early.

As a result, the impact of COVID-19 on stock market performance may also be leading some retirees and those close to retirement to question their investment strategy, but what's the right approach? Understandably, the impulse to react – and to protect what we have – is strong.

Regular revision

Retirement planning and financial planning, in general, are not 'one-and-done' exercises. It's much better to think of them as fluid and as requiring regular revision. Attempting to time the market and avoid volatility by making dramatic changes to your portfolio can cause harm to your long-term investment results.

With many areas of the global economy coming to an abrupt halt, markets have see-sawed between gains and declines as investors weigh the potential impact of massive stimulus initiatives by governments and central banks.

Economic uncertainty

The barrage of news is unrelenting. On a daily basis, we hear about more COVID-19 cases, job losses, economic concerns and oil price shocks, to mention just a few. But long-term investing is ultimately about avoiding selling out of the market during periods of economic uncertainty and crystallising losses. Staying invested means you'll be able to benefit from any potential recovery, and it helps to remember that volatility is actually the norm for stock markets.

To give yourself the best chance of achieving your retirement investment goals, the right mix of asset classes is essential. An effective strategic asset allocation is one that takes enough risk to give your portfolio the potential to grow, but not so much that you feel uncomfortable – and therefore more likely to withdraw funds at the wrong moment.

Better option

Whether you decide to postpone retirement or retire early depends on your situation. If you still have a job and your savings have been impacted over the last few months, delaying retirement to give yourself more time to prepare may be a better option.

On the other hand, if you lose your job and don't know when you'll be able to find another one, you might choose to simply retire earlier than you'd planned. If you have plenty of savings set aside, you may be able to enjoy retirement comfortably. Otherwise, you might choose to go back to work in a few years when jobs aren't so scarce to build a stronger retirement fund. ■

Making the best decision for your situation

Whatever option you choose, make sure you've thought about the advantages and disadvantages so you know you're making the best informed decision for your situation. For further information or to discuss your situation, we're here to help you.

Source data:

[1] Opinium Research for Legal & General Retail Retirement ran a series of online interviews among a nationally representative panel of 2,004 over-50s from 15–18 May 2020.

[2] Office for National Statistics, Labour market overview, UK: May 2020

A PENSION IS A LONG-TERM INVESTMENT. THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN. YOUR EVENTUAL INCOME MAY DEPEND UPON THE SIZE OF THE FUND AT RETIREMENT, FUTURE INTEREST RATES AND TAX LEGISLATION.

Inflation-proofing your portfolio

One of the biggest threats to the health of your investments

The coronavirus (COVID-19) pandemic has had a dramatic effect on the global economy. Around the world, economic activity has dried up. Fewer consumers are buying and fewer companies are investing.

If you take the view that inflation will go up in the long term, it is worth considering whether your savings and investments could be affected. After all, you need your investments, and the income from them, to keep pace with inflation to maintain the value of your buying power.

Inflation over the past decade

When we think about concerns over inflation today, we have to consider how the world looked immediately before the coronavirus pandemic, as well as our wider experience with inflation over the past decade.

In the run-up to the COVID-19 pandemic, things were actually pretty quiet on the inflation front. In fact, you could argue that policymakers were more worried about inflation being too low, or persistently low, rather than any return to the 1970s.

Decline in demand across the economy

There are a number of factors driving down inflation at the moment. The social lockdown to help combat the spread of the virus is seeing us having to stay at home, meaning we have generally been spending less, which has led to a decline in demand across the economy. As elsewhere around the world, we have also been driving and travelling far less.

In addition, the price of oil has been a historic bellwether for the health of the global economy. The effect of lower oil prices feeding into lower costs of production for a wide range of goods will also push down inflation.

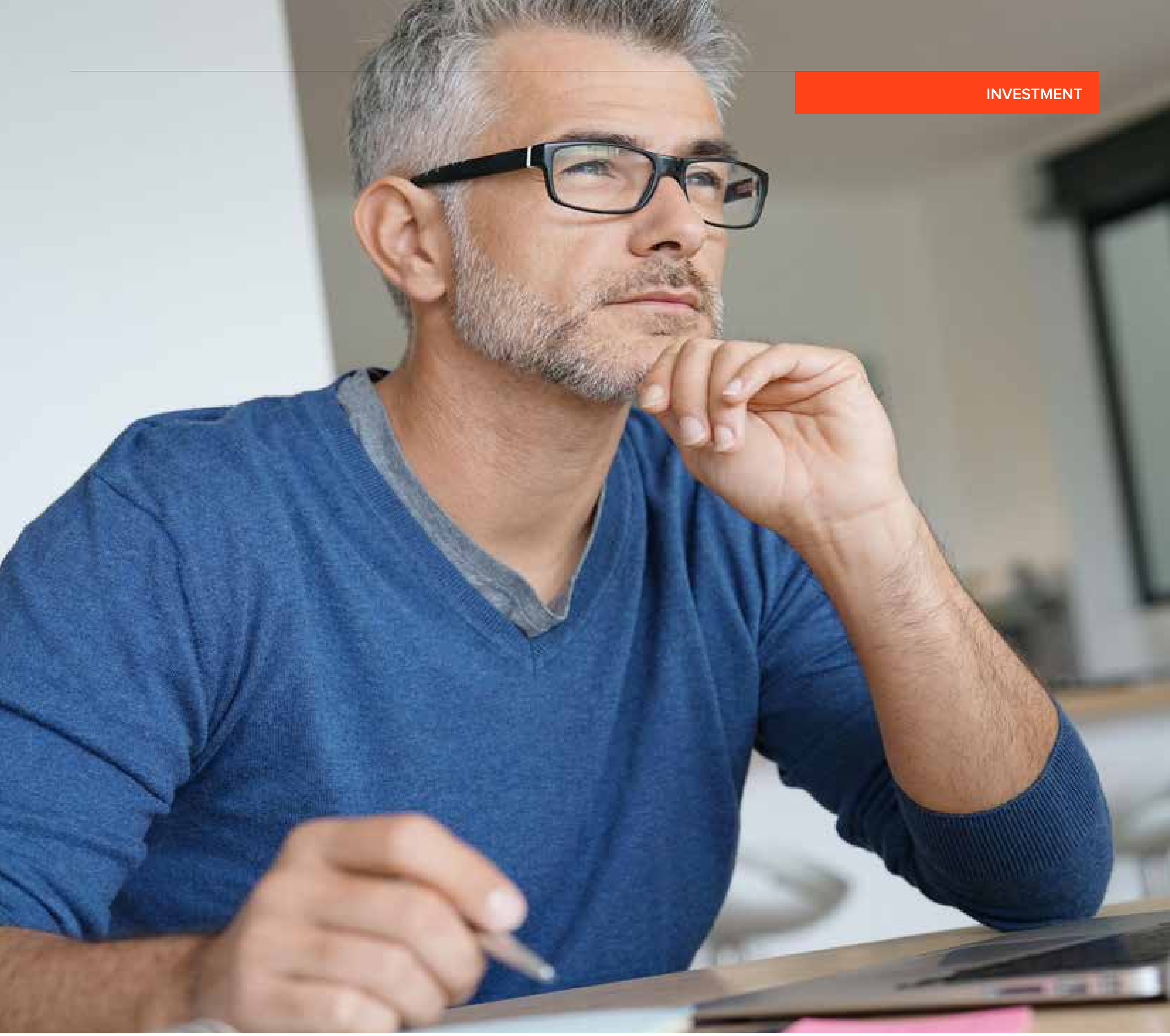
Spending could drive inflation higher

Despite unprecedented support from the UK Government to help workers and businesses, job security and consumer confidence has collapsed. Economic uncertainty and the threat of unemployment have left many less willing to spend and businesses less willing to invest in capital.

Unless the damage done to the economy ends up lasting, it's likely we'll see a pick-up in spending once there is some resumption of normality. Depending on how much demand is pent up, and how willing consumers and businesses are to part with their savings when we start to emerge from the crisis, the rise in spending could drive inflation higher.

Other possible inflationary pressures

Over the long term, there are worries about other possible inflationary pressures. Prices can also go up because there is less supply of products. The ongoing situation caused by the crisis is seeing significant disruption to trade, and some companies going out of business. This could also have the effect of constraining the supply of goods and competition in the global economy, contributing to higher prices at checkouts.



Due to the heightened degree of uncertainty in global markets, it is difficult to forecast the outlook for inflation with any certainty. Nonetheless, it is worth considering the possibility that inflation may rise to levels that have historically been more 'normal'.

Including some protection against inflation

Investors may not be overly concerned in the short term about inflation, but a diversified portfolio should always include some protection against inflation, whether through holding shares in companies that have the ability to raise their prices over time, or more direct inflation-protecting assets such as inflation-linked bonds. Exposure to inflation-protecting assets should be seen as part of normal portfolio allocation, rather than as a response to the threat of higher inflation.

Inflation poses a threat to investors because it chips away at real savings and investment returns. Most investors aim to increase their long-term purchasing power. Inflation puts this goal at risk because investment returns must first keep up with the rate of inflation in order to increase real purchasing power. ■

Take steps to combat inflation

Inflation might be beyond your control, but that doesn't mean you can't take actions to help preserve your investments and savings from its effects. To discuss this further or for more information, please contact us.

How would you cope without an income?

Make sure you're ready should the unexpected happen

Mental health conditions might not be as easy to pin down as physical health conditions, but insurers are increasingly recognising the need to provide cover and support to people suffering with mental ill health. And with mental health behind so many income protection claims, it's worth reviewing what protection you have in place.

According to the Global Web Index, 54% of UK adults said that their mental health has worsened during the coronavirus (COVID-19) crisis. This concern is widespread, as the biggest fear for 30% of people is their mental health deteriorating during the epidemic[1].

Seeking mental health support

Claims for mental health account for 29% of income protection claims, with some 7% of adults in the UK seeking mental health support through Telehealth services[2]. Worryingly, a Mind survey found that one in four said they had trouble contacting a GP or community mental health team as face-to-face appointments stopped in recent weeks[3].

It's worth recognising that when it comes to mental health, insurers can offer more than simply the chance of a payout. A host of insurers have attempted to rise to the challenge of improving our mental states by providing a range of additional benefits and services that may give your mental health a boost.

Anxiety and depression

During this time of uncertainty and anxiety that the COVID-19 lockdown has caused, it has never been more important to look after our mental health. Up to one in four people experience a mental health problem such as anxiety and depression every week, and there is a strong correlation between financial health and mental health.

There is no difference in any of the insurance decision-making processes for mental health to those for physical health. The process by which decisions are made and guidelines are written is consistent for every medical condition whether physical or mental (or, as is often the case, a combination of the two).

Most common reason

Mental health is one of the leading causes of work absence in the UK. Over the course of the last decade, mental health issues in Britain have reached crisis levels. Approximately one in six people in England have met the criteria of having a common mental health problem such as anxiety or depression[4].

It is estimated that in the future one in four UK adults will experience mental illness during their lifetime, which could severely affect their ability to work. According to official statistics[5], mental health problems represent one of the leading causes of work absence in the UK and are the most common reason for sickness absence notes issued by GP surgeries in England.

Achieve more and enjoy our lives

Having good mental health helps us relax more, achieve more and enjoy our lives more. The coronavirus outbreak means life has changed for us all. It may cause you to feel anxious, stressed, worried, sad, bored, lonely or frustrated.

The NHS website (https://www.nhs.uk/oneyou/every-mind-matters/) provides expert advice and practical tips to help you look after your mental health and well-being. A host of insurers have also attempted to rise to the challenge of improving our mental states by providing a range of additional benefits and services that may give your mental health a boost. ■

Source data:

[1] Global Web index – Coronavirus Research, April 2020 – Series 8: Health, Personal concerns

[2] Global Web index – Coronavirus Research, April 2020 – Series 8: Health, Adoption rel="noopener noreferrer" of Telehealth services

[3] Mental health charity Mind finds that nearly a quarter of people have not been able to access mental health services in the last two weeks

[4] https://www.canadalife.co.uk/news/britain-s-mental-health-crisis-and-group-insurance

[5] https://digital.nhs.uk/data-and-information/publications/statistical/fit-notes-issued-by-gp-practices/september-2018

Providing real peace of mind and security

An income protection policy provides real peace of mind and the security of knowing that should anything happen regarding your health which leaves you unable to bring in your usual wage, there will be an income to cover the essentials beyond statutory sick pay. Contact us to find out more.

Looking to the future

Successful life planning also requires a significant degree of financial planning

We spend our lives planning for our next holiday, for a family, buying a property, funding a child's education and for the day we retire. So then why is it that some people seem to have the ability to live the life of dreams and pass on their wealth to the next generation when others are faced with huge tax bills, the prospect of selling their home or worried about healthcare costs?

Being able to realise our future plans and dreams requires objectives, information and organisation. Successful life planning also requires a significant degree of financial planning, a comprehensive picture of your current finances, your financial goals, and any strategies you've set to achieve those goals.

The planning process should be comprehensive and typically involves a close look at your personal goals, debt, income and cash flow, investments, retirement plans, tax strategies, estate plans, investment strategies and insurance.

The outcome should enable any individual and their family to achieve a defined set of financial and lifestyle goals. It is a detailed process of assessing what one really wants out of life and then translating that into financial terms.

Defining your financial objectives and goals

Defining your goals and objectives are the foundation upon which your financial plan is based and provides a roadmap for your financial future. Begin with the end in mind. What is your life about? What do you want to do? Who do you want to do it with? Where do you want to be in 5, 10, 20 years, and how much will that cost?

Look at your financial future as a whole when outlining these goals. All of your finances are connected, so don't just focus on one aspect. Remember that they should be quantifiable and achievable with a clear and defined time frame. You need to separate your needs from your wants, and these should be reviewed periodically to capture changing circumstances and to ensure they remain relevant.

To get where you need to go, you need to know where you are starting from. What have you accumulated? What do you earn? What strategies are already in place?

Once you know where you want to go, how are you going to get there? At this point, you need to plan and devise strategies to save, invest, protect and pass on your wealth. A good plan is always in writing and has defined periods for its achievement that represent milestones and markers of success.

Now it's time to take action. You've worked out where and how – now it is a case of putting that into your financial plan. It's important to remember that as life progresses, career promotions come along, families begin and circumstances change – and your plan needs to change with them. Your plans need to be monitored, reviewed and adjusted accordingly.

Some people put off thinking about financial planning until later in life. But as a consequence, more often than not, they fail to put proper plans in place until in their mid-50s. Therefore, it is critical that you start planning your finances from as young an age as possible. As soon as you have your first job, you should start comprehensive financial planning. ■

Thoughtful reflection about what you want

When you're figuring out how to make a life plan, it helps to know what you want to change, and in which areas of your life. Big shifts and goals require thoughtful reflection about what you want and what is standing in your way. To discuss your plans, or for any other questions or concerns you may have, please contact us.

Building a strategy that meets your financial needs

Preparing ourselves for life to be really strange for some time

The only constant in life is change, which is why individual financial life planning should not be a one-off exercise. Reviewing your finances regularly is essential if you want to stay on track to meet your financial goals. Making sure your finances are in the best possible shape will also make sure you stay on course to achieving everything you want.

Everyone has been affected by the coronavirus (COVID-19) pandemic and the measures needed to control it. It's likely that coronavirus will loom over us until we have an effective vaccine, so we need to prepare ourselves for life to be really strange for some time.

Changes in your financial circumstances

As situations in our lives change, it's important that our financial plans are updated by carrying out regular reviews. One of the main reasons why you should review your financial plan regularly is to reflect any changes in your financial circumstances, be it internal or external. You'll also have different goals and priorities as you enter different stages of your life. So where are you currently?

Early career

You're likely to be just starting out in your career and might be feeling a little unsure how to implement a budget or manage and maximise your cash flow. A house deposit may be on your horizon, or perhaps you are considering your investment options, but you're just not sure how to get started. It's never too early to start looking at your financial position.

When you first begin earning an income, budgeting is the critical financial skill that you need to master. Developing a suitable budget and building the discipline to live within your income so that you don't fall into a debt trap is key.

Once you learn to contain your expenses to available income, you should start building savings into your budget. The emergency fund will have the first claim on your savings, and this is an urgent and important task.

Initiating some investments for retirement is another key task at this stage, even though the goal may seem too much in the future to be relevant now. Investments for other goals are optional at this stage and can commence once your income and savings stabilise.

Middle-aged

This is the stage that you'll find the most demanding. You're settled in your career, a young family means your expenditure has increased, and you are looking to repay your mortgage fast while also funding your children's education and/or childcare.

Receiving professional financial planning advice will help you manage an increasingly complex budget, as well as looking to ensure your family is protected in the event of something happening to you. Of course, you may also want to know if you can afford an annual holiday to enjoy the family you now have.

Implementing a plan early in this stage will allow you to reap the benefits later on in life, as well as providing security for your family and any other dependents.

Pre-retirement

You may now be looking to leave the workforce soon and want to find out if this is financially possible. Your children are now adults and your expenditure has steadied, so you may be starting to look seriously at your ideal retirement lifestyle.

By managing your personal finances prudently so far, this stage of your life will be the golden stage for your finances. Your income is higher and seeing an upward growth trend, while your expenses have stabilised, resulting in growing savings.

Being mindful of expenses is important even at this stage, and the focus of budgeting is to maximise on savings and investments. Managing your investments is critical in this period. Many of your goals are close to being funded, and the investments may need to be rebalanced to reflect this.

Your life and other protection requirements should be updated and aligned to your current and future situation. Now that you have accumulated wealth, it's time to consider how you would like to eventually distribute your estate in the most tax-effective way.

Retirement

You have finally left the workforce and are looking at how to maintain a steady income, discovering what benefits you may be entitled to, and how to maximise these.

Budgeting becomes the focus of finances once again during retirement. The object now is to control expenses to stay within the available income. Managing your investments to generate income and protect it from rising inflation also becomes a primary investment activity at this stage.

Adequate health protection is critical, as health costs can throw your income off the rails. Life insurance may be relevant only if it is required to protect retirement income for your spouse, and debt should not be a big part of your finances at this juncture. ■

What options are available to you?

Whether you're looking for advice in relation to saving for retirement, asset allocation, protection or estate planning, we will be able to offer expert advice and help you make the right financial decisions for your own unique situation and goals. Speak to us to see how we can help.

Your life and other protection requirements should be updated and aligned to your current and future situation. Now that you have accumulated wealth, it's time to consider how you would like to eventually distribute your estate in the most tax-effective way.

How sustainable is your portfolio?

Increased investor focus on environmental, social and governance considerations

Environmental, social, and governance (ESG) issues continue to be a priority for many investors. Your values define you. But do your investments reflect who you are?

Increasingly, investors are urging companies to build ESG considerations into their long-term strategy, bringing it up during engagements and using shareholder proposals to force companies to take action. Investing sustainably means putting your money to work on issues including adapting to and mitigating climate change, improving working conditions and diversity, and tackling inequality.

Policy of engagement

Recent research has identified that nearly three quarters of women aged 40 and over would divest their pension from companies with poor pay practices, led by 74% of female 'Boomers'[1]. A majority of men of the same age group agree but younger women are split 50:50.

By contrast, many Millennials want to divest their pensions from the fossil fuels industry. Half (49%) of all age groups prefer a policy of engagement before divestment.

Generational differences

Revealing clear and generational differences, the findings highlight a strong contrast between the relative importance of ESG issues to older generations and the views of younger people, who are more focused on climate issues.

Millennials were more likely than any other generation to want to reduce their exposure to the fossil fuel industry, despite any potential consequences. Even if there was a resulting performance impact, 45% of Millennials would opt to divest their pension from fossil fuels. This compares to 30% of Generation X, while Baby Boomers (at just 23%) were half as likely as Millennials to divest from fossil fuels regardless of the investment outcome.

Investment returns

Including a further 41% of Millennials who would only divest from fossil fuels if it didn't impact investment returns, a combined 86% of Millennials would choose to divest their workplace pension from fossil fuels if it would have no negative impact on their pension.

But several of Britain's top pension funds say they would have lost hundreds of millions of pounds had they sold out of oil and gas stocks in recent years, highlighting a potential cost to scheme members as funds face pressure to help fight global warming.

Workplace pensions

Reuters contacted 47 of Britain's largest pension funds, with 33 saying they were not divesting from fossil fuels. Some highlighted the potential impact on returns and their preference to engage with oil and gas companies as reasons.

Across all age groups, nearly half of all adults (49%) would prefer a policy of engagement to encourage change before divesting. It is also notable that only half of respondents were already aware of the types of investments within their workplace pensions, implying many more may not be aware of possible inconsistencies between these investments and their own beliefs. ■

Investments with social impact

More and more, investors want to invest sustainably: they want to combine investing for a financial return with a positive contribution to the environment, society or both. Whether you're just curious about what options are available to you, or if you're strongly opposed to or for certain investment options, please contact us for further information.

Source data:

[1] Research from Legal & General Investment Management (LGIM) conducted by Watermelon Research (fieldwork): 22–29 October 2019 consisting of 1,000 interviews (online) with UK adults between the ages of 25 and 65, who have a workplace pension and work in the private sector.

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.

Retirement freedoms

Ensure your future income will allow you to enjoy the lifestyle you want

Preparing for retirement is like getting ready for a journey – it never goes quite as planned. But the better the plan, the better the outcome. When things go wrong, you want to have the flexibility to adapt to changing circumstances. You never know what retirement will be like until you get there.

It's also important to remember that retirement is not a single event. It is a process that begins long before you leave work and continues for the rest of your life. Retirees finally have the freedom to choose how to spend their time. While some people want to relax after a lengthy and stressful career, others are ready to move on to the next adventure.

The simple fact remains that those who prepare a financial plan are more likely than those who don't to have a realistic idea of their retirement income and whether it will meet their needs. A personalised financial plan also means that if your projected income falls short of your requirements, you'll likely have a backup strategy to help make up the difference.

Enjoy a new lease of life

But retirement is a challenging new phase in life. While it ranks high on the scale of stressful life events, it also provides the opportunity to enjoy a new lease of life. You are likely to enjoy the freedom to develop new interests but on the other hand you may feel lonely, isolated and bored at times. An important step is to plan your goals and work towards them.

Unfortunately sentiments about a lack of preparedness for retirement go hand in hand with a lack of knowledge about what someone actually needs. That's why a professionally prepared financial plan helps determine, with a greater degree of accuracy, what it will actually take to facilitate a chosen retirement lifestyle and goals.

Chosen retirement lifestyle

Then, ask yourself what income you will need to accomplish your chosen retirement lifestyle and what factors might affect your ability to fulfil those wishes. You may find there are non-financial factors that have a significant impact on whether or not you achieve your objectives.

However, planning for an uncertain life expectancy in retirement unfortunately means some individuals may face the possibility of running out of money before they die, as they could save less during their working life and spend more in retirement than is appropriate for their circumstances.

Main questions to consider

One of the main questions you need to consider is, 'What do you anticipate to be your major sources of expenditure in your retirement years?' The answer greatly depends on your circumstances, your family and your retirement plans. Many retirees aim to travel in retirement, at least for a portion of the time. In retirement you may be planning to travel as tourists throughout the world, to visit family or to enjoy holiday properties located in the UK or elsewhere.

It's also a time when you may want to carry out some renovation work on your home, or move to the country or city, start a business, spend more time with friends and family, go back into education, learn a new language or to play an instrument, start a new hobby, take up a new sport, join a gym or fitness group, or do absolutely nothing. ■

Enjoying the next phase of your life

Whatever vision we all have for our retirement, it should be one of the most enjoyable periods of our lives. So, if you're concerned you won't have enough income in retirement to maintain your pre-retirement lifestyle, please contact us.

Family finances

Traditional spending and saving habits have been turned upside down

Household finances, including spending and saving patterns, have deteriorated drastically since the coronavirus (COVID-19) lockdown, despite unprecedented Government support. Traditional habits have been turned upside down, and household budgets that guided our incomings and outgoings before the pandemic are no longer valid.

Analysis of consumer sentiment alongside official household spending data[1] reveals the inability to save is the biggest current concern for UK adults (26%), as earnings have been disrupted for millions of workers. UK adults also cited economic and stock market volatility reducing the value of their pension or investments to be a key concern (23%), as well as an inability to pay household bills (19%).

Typical UK households

However, at the same time, spending on non-essential items has fallen as a result of government instructions to stay at home. This means that typical UK households could be spending 29% less per week in total during lockdown compared with 'normal' times.

But it is estimated that increased spending on items such tea, coffee, chocolate and energy consumption and pastimes like TV subscriptions (Netflix, Sky) adds around 6% to the average household's weekly spending.

Reduced or zero spending

This is likely to have been significantly offset by reduced or zero spending on leisure pursuits halted by the lockdown. These include holidays, house moves, eating out, clothing, hairdressers and trips to the cinema, theatre and museums, potentially reducing the typical household's average weekly spending by 35%. Overall, this creates a net saving of 29%[2].

The data highlights that female savers look to have been disproportionately affected during the lockdown, as workers in sectors such as hospitality and retail are more likely to be younger females[3].

Uncertain financial future

Younger people across the board also face a significant challenge. Those under 34 typically struggle to save under normal circumstances, but the current conditions have exacerbated this, as this age group continues to come up against large costs although they face a more uncertain financial future.

For example, they typically spend a greater proportion of their budget on housing, and bills, which remains unchanged. This is likely to have been a major influence on demand for mortgage payment holidays.

Saving and spending patterns

There have also been regional differences across the country as household saving and spending patterns change. People living in London are the most likely to feel the inability to save is their biggest current concern (30% as opposed to a UK average of 26%). Almost half of all Londoners lack confidence in their own financial situation at the moment (48% as opposed to a UK average of 38%).

When asked whether they have more or less money to spare at the end of the month than before lockdown, adults living in Plymouth were most likely to be 'lockdown savers' while those in Brighton were most likely to report 'lockdown losses'.

Navigating unforeseen circumstances

Many factors will determine how different parts of the UK are faring financially, including how much of the local economy is based on tourism, retail and leisure and how much it relies on public transport. Many households continue to navigate through unforeseen circumstances. Now

is the time to keep saving and spending habits under careful and regular review. It is good practice to weigh up what we are spending each month, and how much more or less we are saving.

If you feel as if you have more cash to spare at the end of the month during this time, it's important to consider a good home for it. Maintaining or even increasing pension contributions could be an attractive longer-term option for savers who can afford to do so, so that money you would otherwise have paid in tax on your earnings goes straight into your pension pot via tax relief. Providing you can access other funds at short notice if you need them, then small extra savings today could make a big difference tomorrow. ■

Green shoots of financial confidence

A wide range of measures has been announced by the Government to help support people and businesses financially through the coronavirus pandemic. As a result, we're starting to see green shoots of financial confidence from UK households. If you would like to review any area of your financial plans, contact us to discuss this further.

Lockdown savers and losses

Lockdown savers (% who have saved more than usual during lockdown)	Lockdown losses (% who have saved less than usual during lockdown)
Plymouth (43%)	Brighton (49%)
Sheffield (36%)	London (39%)
Nottingham (34%)	Southampton (39%)
Leeds (33%)	Manchester (37%)
Newcastle (33%)	Norwich (35%)

Source data:

[1] Research of 2,020 UK adults conducted on behalf of Aviva by Censuswide, 7–11 May 2020. All figures featured in this release refers to this dataset, unless otherwise stated

[2] The 35% saving, coupled with the 6% of additional expenditure, creates a potential 29% overall saving in households' typical expenditure each week

[3] www.ifs.org.uk/publications/14791

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Rise of the female breadwinner

Women now earn the most in one-in-four households

The proportion of female breadwinners is steadily rising but the trend could be knocked off course by the coronavirus (COVID-19) crisis. Women out-earn male partners in almost a quarter of households, up from a fifth 16 years ago, according to new research[1].

The findings show a shift in the traditional earning dynamic between couples and reveal that the common assumption that male partners are the higher earners is becoming outdated. There is a risk that the coronavirus crisis will knock the trend off course, as more women than men are expected to have reduced hours to cover caring responsibilities, be furloughed or lose their jobs.

The percentage of households in which the female partner earns more than the male partner has steadily risen from 19.8% in 2004 to 23.3% in 2019 – an 18% rise.

Women earn the same as or more than their male partner in almost three-in-ten households, up from 22.3% of households in 2004 to 27.6% of households in 2019, the research figures show. Men earn more than women in seven-in-ten households (72.4%), down from 77.7% in 2004.

At the current rate of growth, it will take 62 years before women earn more than men in more than half of households.

A rise in the proportion of female breadwinners and women who earn the same as their male partners has potentially profound consequences for society, including:

- The way couples spread the burden of caring responsibilities for children and adult relatives
- The way couples manage their joint finances
- The gender pay gap and pension gap

The shift also suggests that demand for wealth products and financial advice will increasingly come from women.

These figures suggest women's earning patterns are breaking out of a vicious circle that has persisted for generations, in which women have traditionally assumed caring roles, so have earned less, then because they earn less, their incomes and careers often take the hit when caring duties arise.

The expected impact of the coronavirus lockdown on women's work and earnings is an example of this playing out in real time, as women's work has been lost through job cuts and caring demands. This could have lasting impact and derail the rise of the female breadwinner.

However in those households where women already earn more, it may make economic sense for male partners to take on more of the responsibilities that typically take women out of the workplace. This could mean more children seeing their fathers as carers.

Understanding the dynamic of earnings in someone's household can also help employers shape HR policies on matters such as flexible and part-time work for men as well as women. ■

Source data:

[1] Office for National Statistics (ONS) on behalf of Royal London. Data from ONS analysis of the Annual Population Survey cases where the ONS has information on earnings for both the Household Reference Person (this is the highest-earning, or oldest in the case of equal incomes, person in the household who owns the property or with responsibility for paying the mortgage or rent) and their spouse/co-habiting partner, comparing the earnings of the man and the woman in the household.

moneyweb
11 Betton Business Park, East Ayton, Scarborough, North Yorkshire YO13 9HD
Tel: 01723 378 234 **Email:** enquiries@moneyweb-ifa.com **Website:** www.moneyweb-ifa.com