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ISSUE 13 ■ SUMMER 2021

evolve

Sustainability matters

Plan for a better tomorrow, today

Grandparents, grandchildren and money
Sharing your wealth during your lifetime can make a big difference

Unlocking property wealth
Plan for the worst, hope for the best

Retirement options
What can you do with your pension pot?

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welcome

Welcome to the Summer 2021 edition of *Evolve* from **moneyweb.**

Responsible investment is a catch-all term to broadly describe funds that invest to make a positive change, either to the environment or for society. On page 12 we look at how increasingly more pension savers are asking where their funds are invested. Many are no longer just concerned about getting the best returns – they also want their money to be used in a way that helps society and the planet.

Sharing your wealth during your lifetime can make a big difference and bring you a lot of joy, particularly when helping younger generations who are dealing with rising house prices and university fees. The right way to give presents for your grandchildren can vary depending on how old they are, and whether you're concerned about turning over a sizeable amount of money to a child who may still be impressionable. Read the full article on page 11.

When the time comes to access your pension, you'll need to choose which method you use to do so. There are advantages and disadvantages to each method, and in some cases your decision is permanent, so it's important to ensure that you obtain professional financial advice when considering your different options. Find out what to consider on page 08.

According to The International Longevity Centre UK (ILCUK) report, a substantial proportion of Generation Xers (those born between 1965 and 1980) in the UK face financial difficulty in retirement, with one in three expected to face significant disadvantages. On page 16 we look at the findings from the report.

A full list of the articles featured in this issue appears opposite.

Need guidance on making important financial decisions?

At **moneyweb** we'll guide you in making important financial decisions whilst always maintaining your best interests at the heart of the advice process. No matter what stage you have reached in life, there is no substitute for professional financial planning. To discuss your requirements, please contact us – we look forward to hearing from you.

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Ask me a question

Mathew Kay – Protection Adviser

I'm 31 years old and married with two children, so enjoying time with them is my main priority. I also enjoy going to the gym, and, where possible, making time to watch football, as I'm a big Leeds United fan.

I started at Moneyweb on 6 January 2020 and have recently started a new role as the Protection Adviser, which means I deal with all protection products, i.e. Life Insurance, Income Protection. If this is something you would like some advice on, you can email me at mathewkay@moneyweb-ifa.com.

1. If you could only eat one meal for the rest of your life, what would it be?
Chicken Chow Mein

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

3. If you could be an animal, which would it be?
Lion

4. If you could travel around one country, which would it be?
USA

5. What would be the number one thing to do on your bucket list?
To see the pyramids of Egypt

6. What is your favourite TV show?
The Big Bang Theory

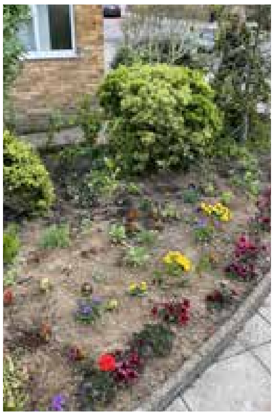
7. What is your biggest fear and/or phobia?
Drowning

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?
10 years older (so that I would still be with my children)

Around the World in 80 Days – The Rainbow Centre, Scarborough



We did it!!!

All staff members and families, with help from Lois Teal and Becky Mason (our Invest in the Community Champions), completed our challenge of travelling virtually 'Around the World in 80 Days'. We completed this through rain, snow, and dark evenings, and then gradually the days became lighter and the nights became longer, and we were able to complete more miles on a weekly basis. We have smashed our target and have raised to date £5,492, which is 136% of our target of £4,000.

The Rainbow Centre have been very grateful for the money we have raised which will go towards basic necessities for some of the local people in need.

Elliot, Kerry and Lauren have also been going to the Rainbow Centre and have helped in their garden. This is used so that people who maybe do not have a garden can go and sit and relax and enjoy the tranquillity. The plants were donated by Morrison's Scarborough Community

Champion and a local gardener/family member Mrs C Milner. These have now been planted and we are waiting to see how they will look once the flowers arrive.

Thank you to everyone who donated to this fantastic charity! ■

Sponsorship Blog

An update from Becky Mason

2020 was my first year in a while not to have competed in a triathlon. However, I was still able to enjoy getting out exploring new routes in Yorkshire, on the bike, running or hiking,

My early season racing normally starts with some shorter distance races in which the swim is in a pool rather than open water as water temperatures are too low –water temperature has to be 12.5 degrees. Again, due to the third lockdown and closure of leisure centres, these were all cancelled.

So far this season I have completed two cycling time trails races and have been pleased with my efforts for the early season, as I was competing against some strong girls who are mainly pure cyclists

My triathlon season takes off this weekend (13 June) in Chester. This is a half iron distance race, which will consist of 1,900m swim, 90km bike and a half marathon 20km run to finish with. This will be my first race over the longer distance and I think the run will be tough, added to which the forecast of 22 degrees heat will mean adding in lots of hydration. But I look forward to seeing how I respond to the challenge.

My main race of the season was to represent GB for my age category at the Age Group World Championship in Edmonton, Canada. This race had already been deferred from 2020 and has now been postponed till 2022. This is disappointing but not surprising with the government travel announcements.

I will be entering other races later in the season. Hopefully this will include a mixture of shorter and longer distance races.

I really look forward to getting back racing and challenging myself and pushing my limits.

I would like to thank Moneyweb for providing me with funding and support in my Triathlon career. ■

Moneyweb Investment Partnership

Our new investment partnership with LGT Vestra

We are pleased to announce an investment partnership with LGT Vestra, a leading UK Wealth Manager. LGT Vestra is a wholly owned entity of LGT, the world's largest single family-owned private bank. LGT manage c.£190bn of assets across in excess of 20 worldwide locations.

We will continue to remain fully independent; the partnership with LGT Vestra will ensure the investment proposition allows you to access what we consider to be the most appropriate portfolios for the future.

The partnership further strengthens our client offering and investment proposition by combining LGT Vestra's investment expertise with our holistic financial planning advice.

We have worked closely with LGT Vestra for several years, and this partnership will enable us to offer our clients a unique tailored investment service exclusive to Moneyweb clients. Moneyweb and LGT Vestra have developed five managed portfolios across our five risk profiles.

We are excited that the portfolios will gain exposure to ESG (Environmental, Social and Governance) investing alongside sustainable investment themes, such as the clean energy transition and decarbonisation. The portfolios will also combine active and passive investment exposure to maximise performance whilst managing ongoing costs.

This combination generates greater diversification within the portfolios and provides exposure to investment themes, sectors and asset classes that would not normally be available to retail investors. In addition, we will be able to access some funds at lower costs by utilising the negotiating leverage of LGT Vestra.

They will be continuously monitored to ensure that they meet our clients' objectives and preferences, and we will establish an investment committee which will meet on a quarterly basis to further discuss the portfolios' structure.

The Moneyweb/LGT Vestra partnership portfolios launched on 1 July 2021 and we look forward to discussing them with you soon. ■

Will your pension run out early?

Impact on people opting for early retirement as a result of the pandemic

An increasing number of people have been forced into early retirement due to the economic impact of the coronavirus (COVID-19), with many worried about how they'll make ends meet in the future. Because of the pandemic, we are currently in a challenging economic period. The global economy has taken over ten years to recover from the shock of the last financial crisis.

In a recent survey, the findings showed that 3% of people in the 55-64[1] age group have taken early retirement due to the coronavirus pandemic. And 4% of people in this age group have had to access some of their pension savings to cover living costs because their income has dropped due to redundancy or reduced pay. These percentages may seem small, but they represent hundreds of thousands of people.

Risks of early retirement

While early retirement may sound like a dream come true, for those with insufficient pension savings it can be a ticking time bomb. Every year of early retirement will have an impact on your pension, in that it represents both a year lost for saving and a year added for spending. Simply put, you'll need to make less money last longer.

Unless you've budgeted carefully and are sure you have enough savings, you could run the risk of your pension running out in your later years. This is an expensive time for many people, due to the cost of financing care, and that can result in unexpected hardship.

Planning for early retirement

If you're planning early retirement, you should consider the following steps:

1. Calculate all your savings in different pension pots to find out what your total is.
2. Track down any lost pensions from previous employers and add these to your total.
3. Check how much of the State Pension you can expect to receive, and from what age.
4. Create a budget for your retirement spending, making sure to include any additional future costs you're aware of and a little extra for future costs you're unaware of. Be honest about how much you'll need.
5. Make sure that the total you have in pension savings, when combined with the State Pension you'll receive, is sufficient to cover all your future costs.

Alternatives to early retirement

If your financial situation is forcing you to withdraw from your pension but you're not ready yet to stop saving, there are ways to access your pension that do not affect your annual allowance and therefore allow you to continue contributing at the same rate in the future.

These include:

- Taking up to 25% of your savings as a tax-free lump sum (from a defined contribution pension)
- Accessing a defined benefit pension (if you have one)
- Withdrawing a pension pot worth under £10,000 in its entirety under 'small pots' rules
- Buying certain types of annuity

Can you afford to retire early?

We know that you work hard for your money, so you should be able to enjoy it as much as possible. When planning for retirement, there are now more choices available than ever before. By understanding precisely what you'll need to get to where you want to be, you can ensure you're prepared for the future.

So when working out if you can afford to retire early, your starting point should be to think about whether your savings and investments will be enough to cover all your outgoings, as well as all your essential living costs and any regular debt repayments you may have to make. ■

Answering all those big questions

We can give you more information on any of these options and help you to choose the ones that are best for you. We'll answer all those big questions you might have: When can I retire? How can I make my money last? Should I take a lump sum? To find out more and discuss your options – please contact moneyweb.

Source data:

[1] https://www.lv.com/about-us/press/covid-pandemic-pushes-more-than-154000-into-early-retirement

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Retirement clinic

Answers to the myths about your pension questions

If you are approaching retirement age, it's important to know your pension is going to finance your plans.

Pension legislation is extremely complex and it's not realistic to expect everyone to understand it completely. But, since we all hope to retire one day, it is important to get to grips with some of the basics.

It's particularly helpful to become aware of the things you may have thought were facts that are actually myths. Here are some examples.

Myth: The government pays your pension
Fact: The government pays most UK adults over the pension age a State Pension, which is currently:

- Retired post-April 2016 – max State Pension of £179.60 a week
- Retired pre-April 2016 – max basic State Pension of £137.60 a week (a top-up is available for some, called the Additional State Pension)

Not everyone is eligible for the full amount, which requires you to have at least 35 qualifying years on your National Insurance record. If you have less than ten qualifying years on your record, you'll receive nothing.

Even if you receive the full amount, you'll usually need to supplement it with your own pension savings.

Myth: Your employer pays your pension
Fact: Most people are automatically enrolled into a workplace pension. Your employer is usually required to pay a minimum of 3% of your salary into it and you must also pay a minimum of 5% of your salary.

If you keep your contributions at the minimum level, it might be difficult to save enough for retirement. As life expectancies grow longer, your retirement can be almost as long as your working life. It's therefore important to put aside a portion of your earnings to create a pension pot that will enable you to receive the income and live the lifestyle you want during retirement.

Myth: You can't save more than your lifetime allowance
Fact: There is a lifetime allowance on the benefits you can access from your pension, which is currently £1,073,100 (tax year 2021/22). That doesn't mean that you can't withdraw any more after that, but it does mean that you'll pay a tax charge of up to 55%. However, there are ways of with-drawing the money with a tax charge of 25%.

Myth: Your pension provider's default fund is suitable for everyone
Fact: Most pension default funds will start out with a high-risk strategy and steadily move your capital into lower-risk investments, such as bonds and cash, as you get closer to retirement. This is to reduce volatility in the value of your investments so that you can have a higher degree of confidence in how much you'll eventually end up with.

If you don't plan to purchase an annuity, you don't necessarily need to reduce volatility before retirement. You may be leaving some of your money invested for several more decades, in which case a higher risk strategy may be more appropriate.

Myth: Annuities are outdated
Fact: There was a time when almost everyone bought an annuity when they retired, and that time has passed because there are now alternative ways to access your pension savings.

But annuities still have a useful role for generating a retirement income and can be an appropriate product for some people. Unlike other pension withdrawal methods, such as drawdown, an annuity offers a fixed income for life, so there's no risk of your money running out. That's a crucial benefit for many pensioners.

Myth: You can't pass on a pension
Fact: If you've used your pension savings to purchase an annuity, the income from this will usually cease when you die. But if you have pension savings that you haven't used to buy an annuity (for example, if you've been taking an income through drawdown), what's left can be passed on to a loved one.

If you die before the age of 75 there will usually be no tax to pay by the beneficiary. Otherwise, they will need to pay Income Tax according to their tax band. ■

Look after your future

There's a whole lot to think about when you're planning for retirement. Is it worth paying into private or workplace pensions? Are you saving enough? Which investments should you choose? All these unanswered questions can make planning feel a little overwhelming. To review your situation or consider your options, please contact moneyweb – we look forward to hearing from you.

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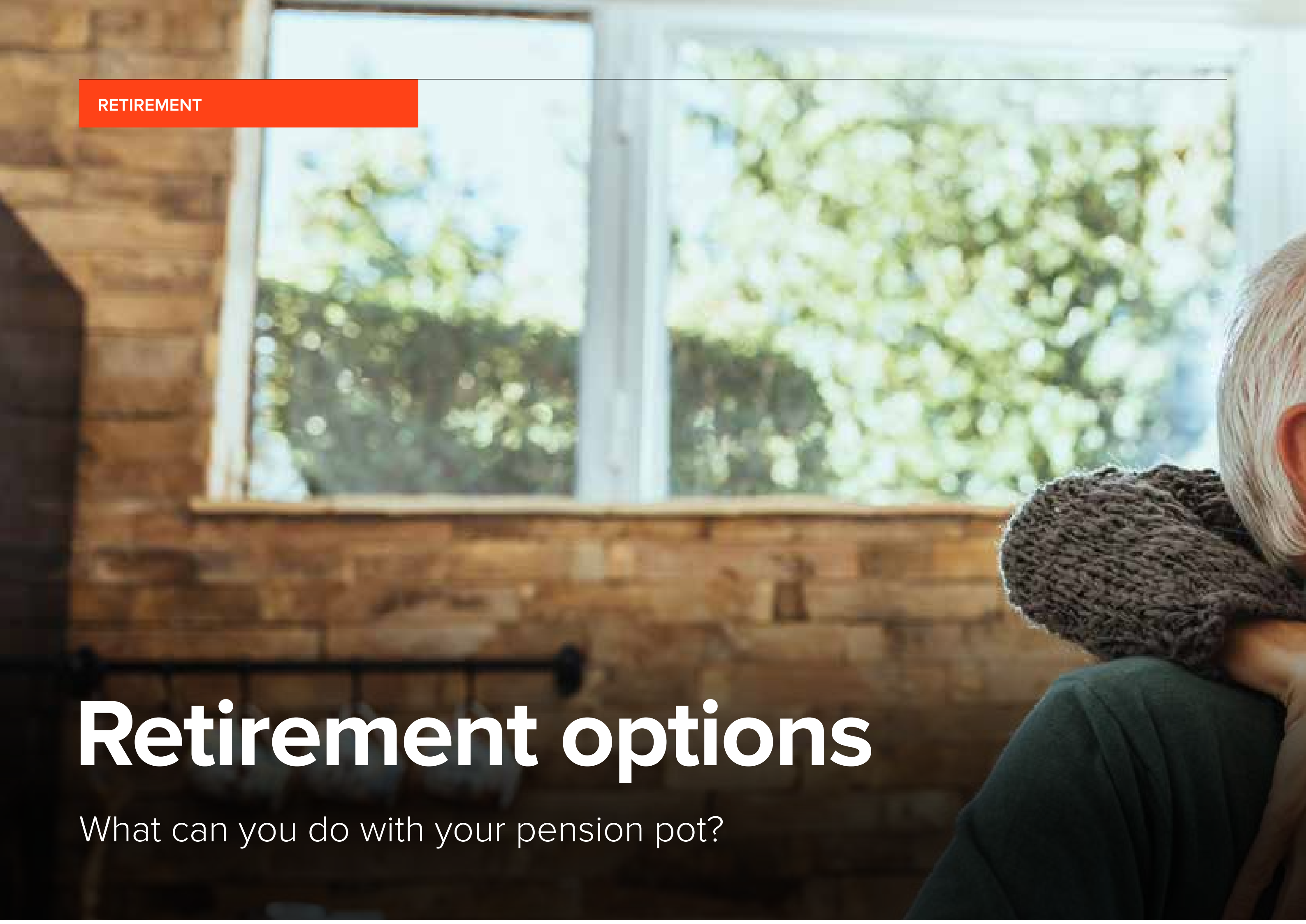


Retirement options

What can you do with your pension pot?

When the time comes to access your pension, you'll need to choose which method you use to do so, with options including: buying an annuity, taking income through (flexi-access) drawdown, withdrawing lump sums or a combination of all of them.

There are advantages and disadvantages to each method, and in some cases your decision is permanent, so it's important to ensure that you obtain professional financial advice when considering your different options.

This is a complex calculation that must take into account the growth rate your investments might achieve, the eroding effects of inflation on your savings, and how long your savings will need to last.

Annuities – guaranteed income for life

Annuities enable you to exchange your pension pot for a guaranteed income for life. They were once the most common pension option to fund retirement. But changes to the pension freedom rules have given savers increased flexibility.

You can normally withdraw up to a quarter (25%) of your pot as a one-off tax-free lump sum, then convert the rest into a taxable income for life – an annuity. There are different lifetime annuity options and features to choose from that affect how much income you may receive. You can also choose to provide an income for life for a dependent or other beneficiary after you die.

Flexible retirement income – pension drawdown

When it comes to assessing pension options, flexibility is the main attraction offered by income drawdown plans, which allow you to access your money while leaving it invested, meaning your funds can continue to grow.

This option normally means you take up to 25% of your pension pot, or of the amount you allocate for drawdown, as a tax-free lump sum, then re-invest the rest into funds designed to provide you with a regular taxable income.

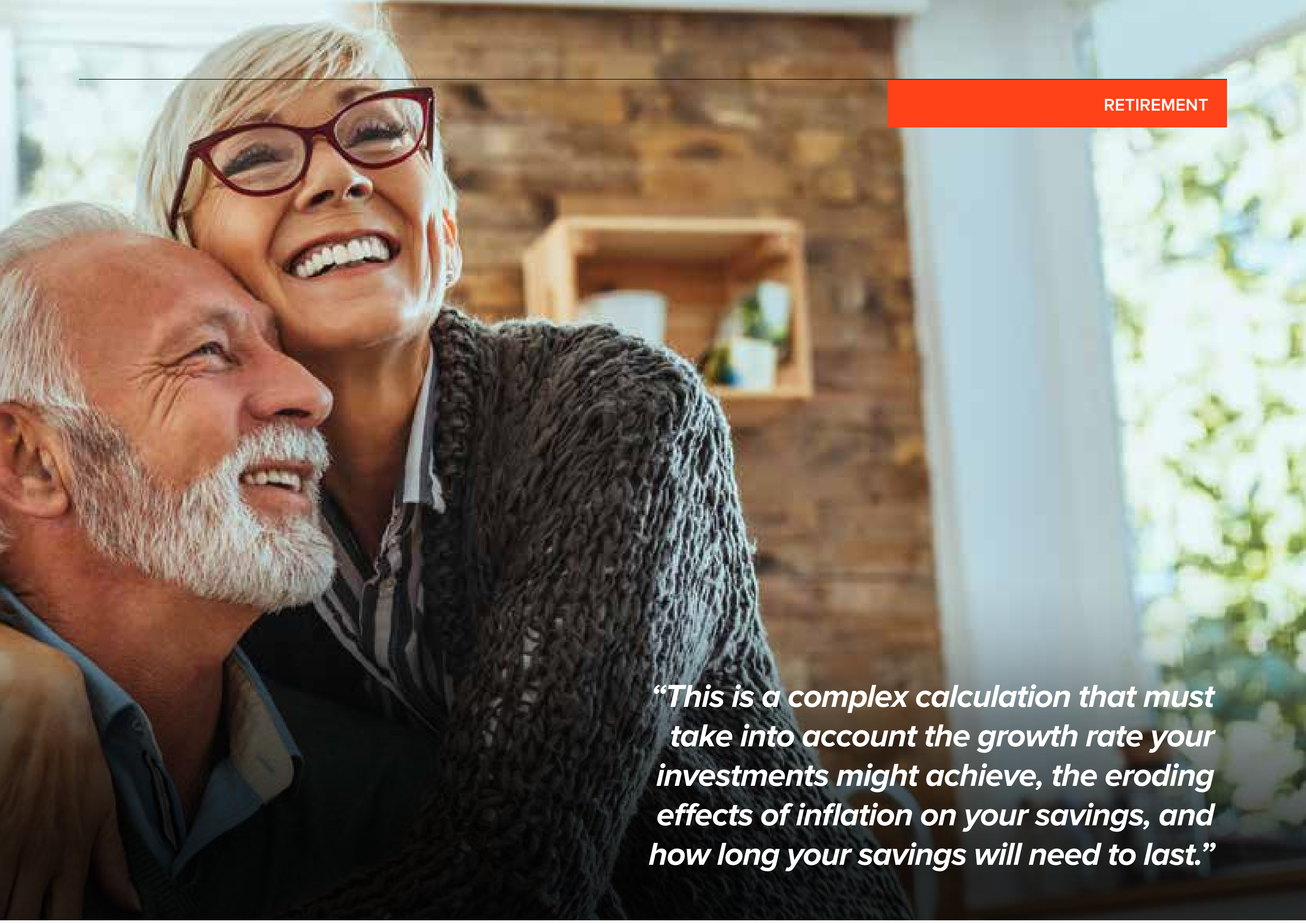
You set the income you want, though this might be adjusted periodically depending on the performance of your investments. You need to manage your investments carefully because, unlike a life-time annuity, your income isn't guaranteed for life.

Small cash sum withdrawals – tax-free

This is an important consideration for those weighing up pension options at age 55, the earliest age at which you can take up to 25% of your pension pot tax-free. You should ask yourself whether you really need the money now. If you can afford to leave it invested until you need it then it has the opportunity to grow further.

For each cash withdrawal, the remaining counts as taxable income and there could be charges each time you make a cash withdrawal and/or limits on how many withdrawals you can make each year. With this option your pension pot isn't re-invested into new funds specifically chosen to pay you a regular income and it won't provide for a dependant after you die.

There are also more tax implications to consider than with the previous two options.



"This is a complex calculation that must take into account the growth rate your investments might achieve, the eroding effects of inflation on your savings, and how long your savings will need to last."

So, if you can, it may make more sense to leave it to grow so you can enjoy a larger tax-free amount in years to come. Remember, you don't have to take it all at once – you can take it in several smaller amounts if you prefer.

Combination – mix and match

Of all the pension options, if appropriate to your particular situation, it may suit you better to combine those mentioned above. You might want to use some of your savings to buy an annuity to cover the essentials (rent, mortgage or household bills), with the rest placed in an income draw-down scheme that allows you to decide how much you can afford to withdraw and when.

Alternatively, you might want more flexibility in the early years of retirement, and more security in the later years. If that is the case, this may be a good reason to delay buying an annuity until later in life.

The value of retirement planning advice

There will be a number of questions you will need answers to before deciding how to use your pension savings to provide you with an income. These include:

- How much income will each of my withdrawals provide me with over time?
- Which withdrawal option will best suit my specific needs?
- How much money can I safely withdraw if I choose flexi-access drawdown?
- How should my savings be invested to provide the income I need?
- How can I make sure I don't end up with a large tax bill? ■

How much are you saving for your retirement?

We can advise on your retirement planning, whether you are in the process of building your pension pot or getting ready to retire. Working closely with you, we will identify what you want from your pension and develop a structure that meets your requirements. To find out more, contact moneyweb to discuss your options.

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Unlocking property wealth

Plan for the worst, hope for the best

With the rapid changes that have swept the world over the last year resulting from the coronavirus pandemic, some people aged over 50 are facing a different retirement than they may have been expecting.

Some have less savings than they imagined, some have had to access their savings to supplement their income and some have retired earlier than they had planned.

Financial affairs in order

For many, the 2020 experience was a taster of what retirement could be like – as well as providing a jarring reminder to people to put their financial affairs in order.

Unfortunately, not everyone has sufficient pension savings to fully recover from these events, which has led some people to look for alternative ways to fund their retirement. One of the options is using their property wealth.

Home ownership among over-50s

People in the UK pay off their mortgage at an average age of 54, according to recent research[1]. The average home value is in the region of £240,000. That's a significant amount of wealth to have tied up in property, particularly for those people who don't have enough cash to cover their everyday expenses.

Downsizing is one option for accessing that wealth, but the research highlighted that more than half of over-50s say they love their home and couldn't imagine moving to another property.

Accessing the cash without moving out

A second option to make use of property wealth – without the hassle of moving – is through equity release. Equity release can mean either a lifetime mortgage, where a loan is secured against the home and the homeowners are not required to make any repayments during their lifetime, or home reversion, where a portion of the home is sold but the homeowners retain the right to live in it.

Equity release unlocks the value built up in your home as a tax-free lump sum. There's no need to move out and you'll still own your home. With equity release, you don't have to make monthly payments unless you choose to. It's usually repaid when the last borrower moves into long-term care or dies. Equity release also comes with a 'no negative equity guarantee', which means the beneficiaries are not left with a bill.

Deciding which option is right for you

Equity release isn't for everyone. 10% of over-50s say it's the option they're most likely to consider if they need more cash in retirement, while 27% say they'll retire later or come out of retirement, and 32% say they're more likely to downsize.

However, 90% of over-50s say they only understand a little about equity release. Some of the common concerns are that they don't want to risk losing their home, that they won't be able to leave an inheritance or that their children will be left with a bill, but these are all misconceptions. ■

Unlocking cash from your home

If you're among the people who don't know much about equity release, finding out more could give you an alternative option that you didn't know you had. It could provide a tax-free lump sum that pays for home improvements, provides additional funds during your retirement or helps you support your children and grandchildren. To find out more, please contact moneyweb.

Source data:

[1] https://www.sunlife.co.uk/equity-release/equity-release-report-2020/

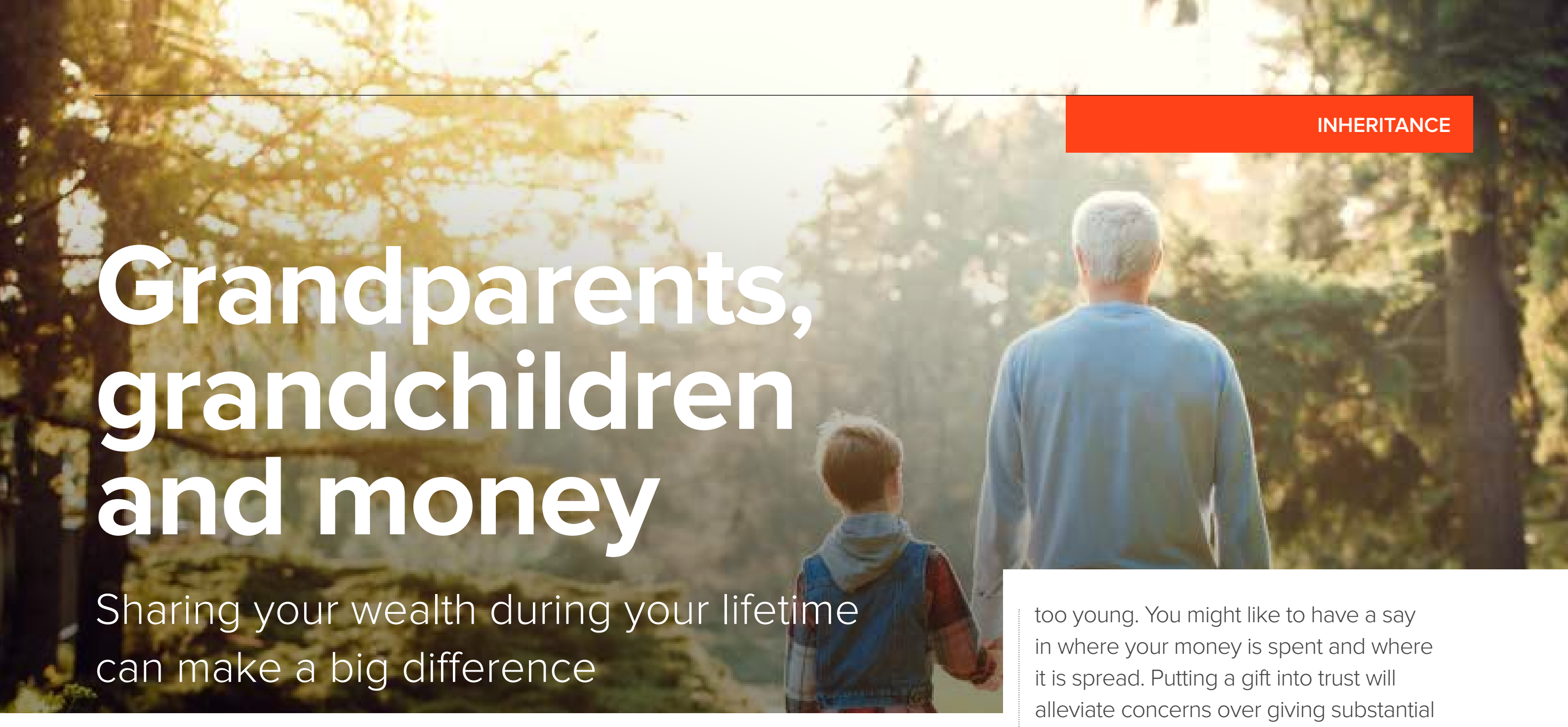
HOME REVERSION PLANS AND LIFETIME MORTGAGES ARE COMPLEX PRODUCTS. TO UNDERSTAND THE FEATURES AND RISKS, ASK FOR A PERSONALISED ILLUSTRATION.

EQUITY RELEASE WILL REDUCE THE VALUE OF YOUR ESTATE AND CAN AFFECT YOUR ELIGIBILITY FOR MEANS-TESTED BENEFITS.

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME.

YOUR MORTGAGE IS SECURED ON YOUR HOME, WHICH YOU COULD LOSE IF YOU DO NOT KEEP UP YOUR MORTGAGE PAYMENTS.

CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT.



Grandparents, grandchildren and money

Sharing your wealth during your lifetime can make a big difference

With all of us leading longer lives, you might be considering how you can help your family when it matters most. Sharing your wealth during your lifetime can make a big difference and bring you a lot of joy, particularly when helping younger generations who are dealing with rising house prices and university fees.

After you've determined how much you can afford to give, there's a simple starting point. What exactly do your grandchildren need, and when do they need it?

The right way to give presents for your grandchildren can vary depending on how old they are, and whether you're concerned about turning over a sizeable amount of money to a child who may still be impressionable.

Younger grandchildren

1. Junior Individual Savings Account (JISA)

If your grandchild is under the age of 18, you might put money into their JISA account. While you won't be allowed to open one on their behalf, you will be able to donate up to their annual JISA limit, which is £9,000 for the 2021/22 tax year.

The benefit of the JISA is that they can't touch the money until they turn 18 – after that, it's theirs to use as they choose. The funds may be stored in cash, invested in securities, or a mixture of both. Investment growth is tax-efficient in a Stocks & Shares ISA, while a Cash ISA's interest is tax-free. If you put money away for 18 years, it might grow into a sizeable amount, but the value of any investment will go up and down.

2. Child's bank account

Alternatively, a child's savings account is a convenient and easy place for families and friends to deposit money for smaller presents. Keep in mind, though, that savers' rates have been poor in recent years and over time, inflation can reduce the value of the savings, because prices typically go up in the future.

Older grandchildren

1. Lifetime Individual Savings Account (LISA)

If your grandchild is 18 or older, a LISA will be able to assist them in saving for their first home. If they turned 40 on or before 6 April 2017 they won't be eligible. Only first-time buyers can use a LISA to buy property under age 60.

For every £4 saved, the government will add £1 (worth up to £1,000 every tax year until they turn 50 years old). Up to £4,000 a year is eligible for the 25% bonus (they can add more but it won't receive a government contribution).

The bonus is paid every month, so they benefit from compound growth. They can invest in either cash or stocks and shares and this forms part of their overall annual ISA limit, which is £20,000 in tax year 2021/22.

Would you like the reassurance of some control?

It's understandable to be concerned about giving too much money to grandchildren too young. You might like to have a say in where your money is spent and where it is spread. Putting a gift into trust will alleviate concerns over giving substantial sums to grandchildren before they have reached financial maturity and it can provide grandparents with the leverage they want.

You maintain some control of the assets and to whom and where they are paid as a trustee, and gifts to the trust will lower the estate for IHT. Giving money to your grandchildren may eventually affect the way your estate is taxed, so it's important to obtain professional advice before doing this.

Plan ahead for a brighter future for all

There's a lot grandparents can do today, with a little extra thinking and forward planning, to ensure that the money donated goes towards ensuring a brighter future for your loved ones – when you're still alive to enjoy it. ■

Giving your loved ones financial gifts

If you're unsure about the best approach for you, talk to us to discuss your options. Please contact moneyweb for more information.

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

Sustainability matters

Plan for a better tomorrow, today

Responsible investment is a catch-all term to broadly describe funds that invest to make a positive change, either to the environment or for society. Within this umbrella term there are four broad investment approaches: ethical exclusion; responsible practice; sustainable solutions; and impact funds.

Increasingly more pension savers are asking where their funds are invested. Many are no longer just concerned about getting the best returns – they also want their money to be used in a way that helps society and the planet. The Department for Work and Pensions (DWP) is currently consulting on improving the governance, strategy and reporting of occupational pension schemes on the impact of climate change.

The growth of Environmental, Social and Governance (ESG) issues – from an increasing awareness of climate change, global responsibilities and social issues to investing in companies that act responsibly and prioritise making the economy cleaner, safer and healthier – is an important consideration for many investors.

Considerations within retirement portfolios

While ESG concerns have been gaining profile in the investment world for many years, there is reason to believe that there will continue to be a big shift toward these considerations within retirement portfolios and the coming transfer of wealth to sustainability-minded Millennials.

Eight out of ten people (83%)[1] think global warming will be a serious problem for the UK if action is not taken, and there is a lack of awareness about the extent to which pension funds are working to reduce the impact of climate change. In the survey, around half (51%) say global warming is 'extremely' or 'very' important to them.

Categories of criteria used to assess companies

However, there remains a lack of understanding among some savers as to how pension schemes are taking action against climate change. Three-fifths of workplace pension holders (59%) say they don't know if schemes are taking any action; just one in seven (15%) workplace pension holders think schemes are.

ESG refers to the three categories of criteria used to assess companies when investing responsibly:
'E' stands for 'environmental' factors, such as carbon emission and water management; 'S' stands for 'social' factors, such as employee welfare, diversity and inclusion; 'G' stands for 'governance' factors, such as business ethics and corruption.

Percentage of people's wealth in their pensions

The concept of ESG investing has existed for decades but has grown enormously in popularity over the last five years. While early adopters of this practice were often driven by moral or ethical concerns, over time the financial benefits of ESG investing have become clearer, which has encouraged mass adoption.

ESG investing is becoming increasingly popular, and many investors are choosing ESG funds for their Individual Savings Accounts (ISAs) and general investment portfolios. However, these accounts usually hold a lower percentage of people's wealth than their pensions.

Greater transparency around climate impact

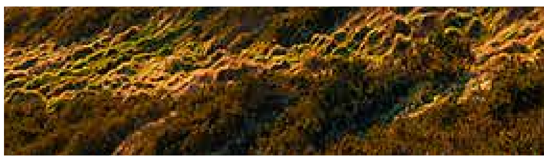
The survey also found a number of people don't understand what pension schemes do with their money. Little more than two-thirds (68%) of the general population understand that pension schemes invest in a range of companies and other investments, and only one in five (22%) pension holders say they know the types of companies that their pension invests in.

Despite these knowledge gaps, when it comes to pensions there is still strong support for greater transparency around climate impact, in terms of the investments that are made and the way firms operate. Six in ten (62%) people think that pension schemes and other investors should hold those in charge of the companies they invest in to account for their efforts to minimise their impact on climate change.

Behave in a way that helps tackle climate change

Two-thirds (66%) think investors have a responsibility to encourage the companies they invest in to behave in a way that helps tackle climate change. A similar proportion (65%) think that financial services firms should report on the impact the companies they invest in have on climate change.

Around seven in ten people (68%) say that pension schemes should be transparent about the extent to which they invest in a climate-aware way. Seven in ten (69%) also want financial services firms to be transparent about the impact of their own operations on climate change. ■



Looking for more freedom over how your pension is invested?

Pension holders now have far more freedom over how their pension is invested than many realise. If you would like to ensure your pension is invested according to your preferences, including a preference for ESG investments, contact moneyweb for more information.

Source data:

[1] Research was conducted for the Pensions and Lifetime Savings Association (PLSA) by Yonder (formally known as Populus), an independent research agency. They achieved a nationally representative online sample of 2,082 UK adults aged 18+. The fieldwork was conducted between 25-26 November 2020.

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Conscientious investor

Investing today to help make a better tomorrow

In a fast-changing world, sustainability is a growing concern for investors. Sustainable investing funds position investors to manage the risks associated with environmental, social and governance (ESG) factors, capture the opportunities and contribute to positive change.

The tremendous toll of the coronavirus (COVID-19) pandemic crisis – on health, economic wellbeing and everyday activity – has precipitated a widespread reassessment of the way we live our lives. For governments, businesses and investors, an essential question has been to understand the sources of resilience during this past year and how to build on them to prepare for any future crises.

Influencing positive changes

If you're someone who wants to make a positive difference, you might be interested to know how you, your money and the things you care about could all benefit from sustainable investing. At its core, ESG investing is about influencing positive changes in society by being a better investor.

Investment into ESG funds has been growing at an accelerating pace over the last five years. Recent research suggests that 9% of investors currently hold ESG investments[1], with 12% of investors saying they don't currently hold ESG investments but plan to in the next year. 17% say they are likely to make their first ESG investments in 2022 or later. These numbers suggest a snowballing rate of ESG investing adoption over the next few years.

Resistance to future crises

As the nation emerges from the COVID-19 pandemic and begins to rebuild the economy, there is the opportunity to rebuild based on new principles. ESG concerns can be embedded in the recovery, to create an economy with more resistance to future crises. Companies are also under growing pressure to report transparently on their ESG-related practices.

More people today understand the increasing importance of responsible investing in investment decisions and it's arguably the most important investment trend of recent decades. ESG strategies factor environmental, social and governance considerations into the investment process, with the goal of generating long-term, sustainable returns for investors.

Responsible investing is about 'doing the right thing', encouraging sustainability and contributing to positive, lasting change.

Environmental – Renewable energy, lower carbon emissions, water management, pollution control.

Social – Labour practices, human rights, data protection, selling practices, corporate supply chains.

Governance – Board makeup, corruption policies, auditing structure.

Approach responsible investing

There's no single, universal way to be a responsible investor, but these factors will enable the growth of ESG funds by giving investment managers more options to invest in, and improved ways to assess and monitor the ESG rating of an investment.

While ESG investing is an opportunity you might be eager to explore, there are some considerations. Your investments must align not only with your values but also with your growth expectations and risk appetite. As with any approach to investing, you should choose the funds that are right for you and obtain professional financial advice to understand the market you want to invest in. ■

Looking to boost portfolio performance

It's a common misconception that investing responsibly means accepting lower returns but, increasingly, evidence says otherwise. Adding ESG criteria could help boost portfolio performance. This investment ethos also delivers benefits beyond the bottom line and recognises that modern-day investment should be a matter of long-term ownership and sound stewardship. Speak to moneyweb for more information or to discuss your requirements.

Source data:
[1] OnePlanetCapital 09 March 2021

It's good to talk

Getting financial help during the coronavirus (COVID-19) pandemic

The coronavirus (COVID-19) pandemic has not only dealt a blow to the UK economy, many people and families have unfortunately experienced financial hardship. According to a recent survey, 31% of the population say they are struggling with their finances due to the effects of the pandemic[1].

With the pandemic causing many workers to lose working hours or their jobs, it's more important than ever to know what financial options you have.

Under-35s are most likely to borrow

But the survey shows that the impact is not spread evenly. It appears that people aged 18-35 have experienced the most financial difficulty and are most likely to seek help from others.

During the pandemic, 18-35s have been four times more likely than any other age group to receive financial support from their family or friends. They've also been twice as likely as other age groups to take out a loan to make ends meet.

People aged 35-55 have been impacted less

Those in the 35-55 age group have been less likely to need to borrow than the under-35s, and also less likely to report a worsening of their financial situation than those aged 55-65. But that's not to say that they have it easy. Nearly one in three people in this age group say their finances are worse now.

Over-55s have their retirement plans disrupted

Many people in the 55-64 age group have had to change their retirement plans. Income from work for one in four of these people has fallen 40%. A rise in unemployment has led to increasing numbers of people taking early retirement, with some relying on their property wealth to fund this.

Over-65s are supporting their families

Over-65s have been less affected than the general population, with 17% reporting that they are struggling financially. This is likely due to their pension income, which, in a lot of cases, will have remained level. More than one in ten of those aged over 65 say they have offered financial support to family members, which is the highest of any age group.

Before providing help to younger family members, it's important to make sure that you can afford to without affecting your standard of living. Consider how your costs might rise later in life and ensure that you retain enough wealth to cover these additional expenses.

Support is still available if you, your family or your business need it

In response to the impact of coronavirus, the government agreed a raft of measures with providers across a range of sectors to ensure struggling consumers are treated fairly. For those still worried about paying utility bills or repaying credit cards, loans or mortgages due to the impact of coronavirus, support is still available. Visit www.gov.uk.

People struggling to pay essential bills are encouraged to:

- Contact providers: if you think you might have a problem paying bills, contact your providers to explain the situation and receive help
- Ask for help if it is needed: if you are struggling with your bills or credit commitments, free advice is available. Coronavirus has affected the entire nation and many people need support now, even if they never have before
- Explore payment options: if you are struggling with bills, it is better to agree a payment plan with your provider/s and keep making regular instalments, rather than cancelling direct debits and letting debt build. ■

Help and financial support

Even though the government has relaxed some of the COVID-19 restrictions, this is still a particularly difficult time for many households across the UK, with some struggling to keep up with bills, loan payments and mortgages. If you would like to discuss your situation, please contact moneyweb for more information.

Source data:

[1] https://www.lv.com/about-us/press/coronavirus-outbreak-leaves-young-people-turning-to-bank-of-gran-and-grandad

FINANCIAL ADVICE

Generation Xers chronically under-saving

57% face financial difficulty in retirement years

According to The International Longevity Centre UK (ILCUK) report, a substantial proportion of Generation Xers (those born between 1965 and 1980) in the UK face financial difficulty in retirement, with one in three expected to face significant disadvantages[1].

Many 40-55-year-olds are reluctant to invest because they are frustrated by various financial stresses, such as coping with fluctuating incomes and balancing conflicting goals like childcare, loans and mortgages.

Multiple financial pressures

Generation Xers are chronically under-saving, with nearly one in three at risk of reaching retirement with inadequate incomes. The majority (57%) say they want to save more for retirement but they cannot afford to because of multiple financial pressures.

Many are also unaware they are saving too little to achieve the level of income they desire: just 7% of those with a defined contribution (DC) pension are saving enough to achieve a moderate lifestyle in retirement.

No pension funds

More than half of those who contribute to DC pensions do so with less than 8% of their wages, and over half have substantial delays in their pension savings of at least ten years.

Of those who are employed, more than a quarter expect to rely on the State Pension for the bulk of or all their retirement money, or have no pension funds at all.

Additional income in retirement

COVID-19 has further disrupted people's retirement plans, with one in five Generation Xers saving less or spending down their savings as a result.

Generation X is a very diverse cohort. Some subgroups in the age band are well prepared for retirement: almost 60% expect to have additional income in retirement, such as property wealth, other investments or savings, an inheritance or income from their partner or family.

High risk of financial difficulty

But other subgroups are at high risk of financial difficulty in later life, including those on benefits, the self-employed, low earners, renters and carers.

The pandemic has disproportionately influenced Generation Xers: they are the age demographic most affected by the pandemic, with 91,000 more older adults unemployed now than a year earlier. This is a year-over-year rise of more than 30%, and far more than in any other age demographic.

Uncertain about retirement plans

According to the ILCUK study, nearly 40% of Generation Xers are uncertain about retirement plans, and few grasp the rate of investment needed to reach a secure retirement income.

The findings of this report are really worrying and highlight the precarious financial future facing some of those in their 40s and 50s. Increased housing costs, insecure work and caring responsibilities risk leaving many without the savings they need for later life. ■

Maximise your wealth potential

Everyone's situation is unique. This is why a personalised approach is important to help you, and your family, map out your goals and aspirations. Whatever the source of your wealth, there is an opportunity to maximise its potential through professional financial advice. To find out more, please contact moneyweb.

Source data:

[1] https://ilcuk.org.uk/slipping-between-the-cracks/

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