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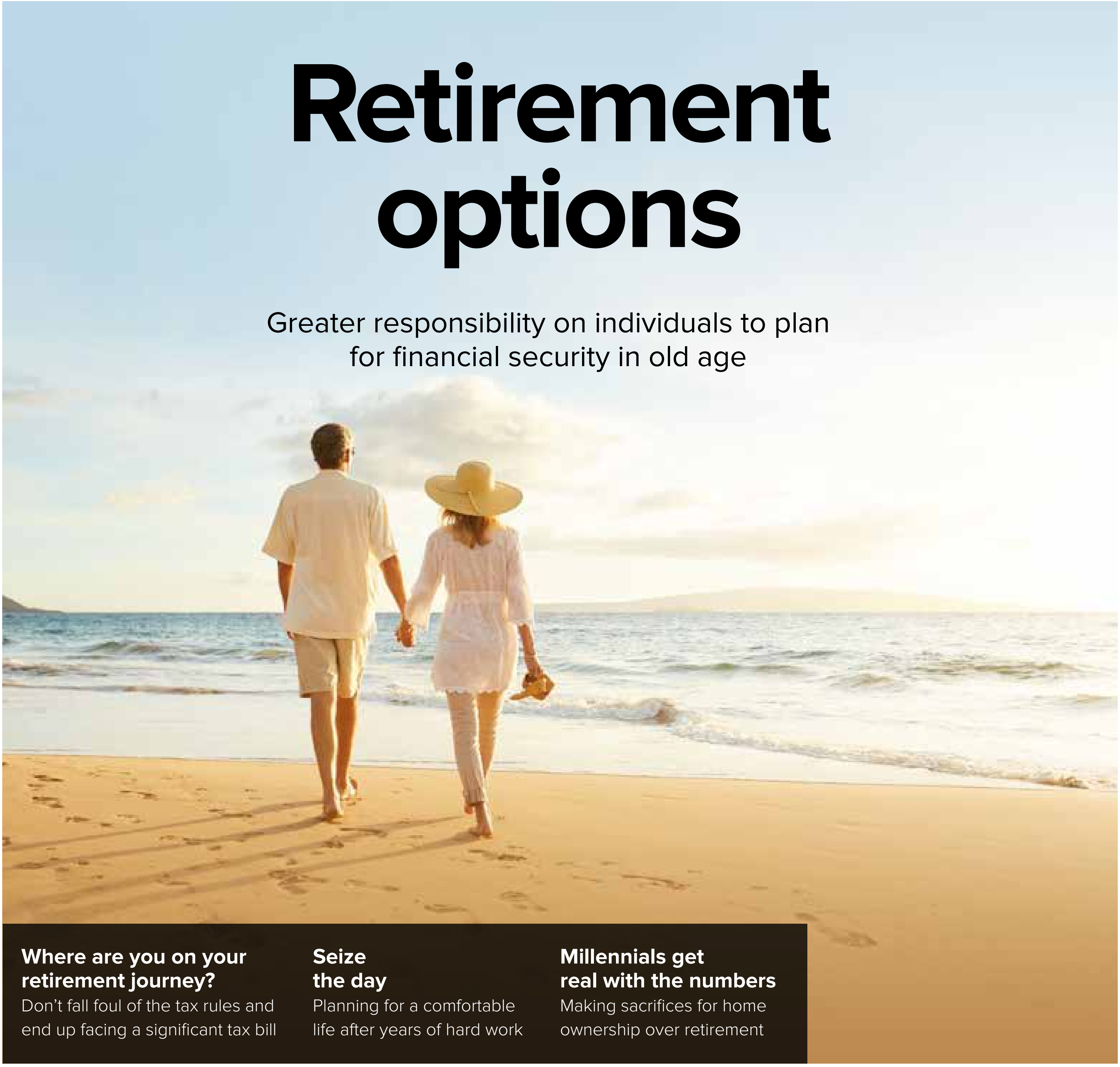
moneyweb

ISSUE 4 ■ SPRING 2019

evolve



Retirement options

Greater responsibility on individuals to plan for financial security in old age

Where are you on your retirement journey?
Don't fall foul of the tax rules and end up facing a significant tax bill

Seize the day
Planning for a comfortable life after years of hard work

Millennials get real with the numbers
Making sacrifices for home ownership over retirement

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welcome

Welcome to the Spring 2019 issue of *Evolve*.

For anyone enjoying their retirement years and living a less complicated life, it can be easy to assume that you no longer require professional financial advice. Some people may believe that since they have reached their 60s and 'retired', the hard work is over. But there are probably another three or four decades ahead, and if we were to split life into two halves, this second half is likely to be more complex and challenging than our careers. From age 60-plus, the world will throw a host of challenges our way. This is not the time to be without expert professional financial advice. This is the period of life when financial planning is most valuable and rewarding, and we look at this further on page 03.

Over time, with life expectancy and the cost of living rising, it could mean that some retirees are at risk of running out of pension income in later life. So what can you do to make sure that you have a big enough pension to meet your needs for the whole of your retirement? We answer this on page 04.

Successful saving and investing is arguably a lot like exercise – no pain, no gain. As is the case when undertaking a new fitness regime, if you properly commit yourself and stick to it, the eventual outcomes can be very rewarding. Many people have savings and investment goals in their life, from the old adage of saving for a rainy day to planning for a comfortable retirement. Working out exactly what you want to get out of your investments will help you set realistic targets and keep you on track. Find out more on page 06. A full list of the articles in this issue appears opposite.

We hope you enjoy reading this edition and invite you to contact us if you would like to discuss or review any area of your financial plans.

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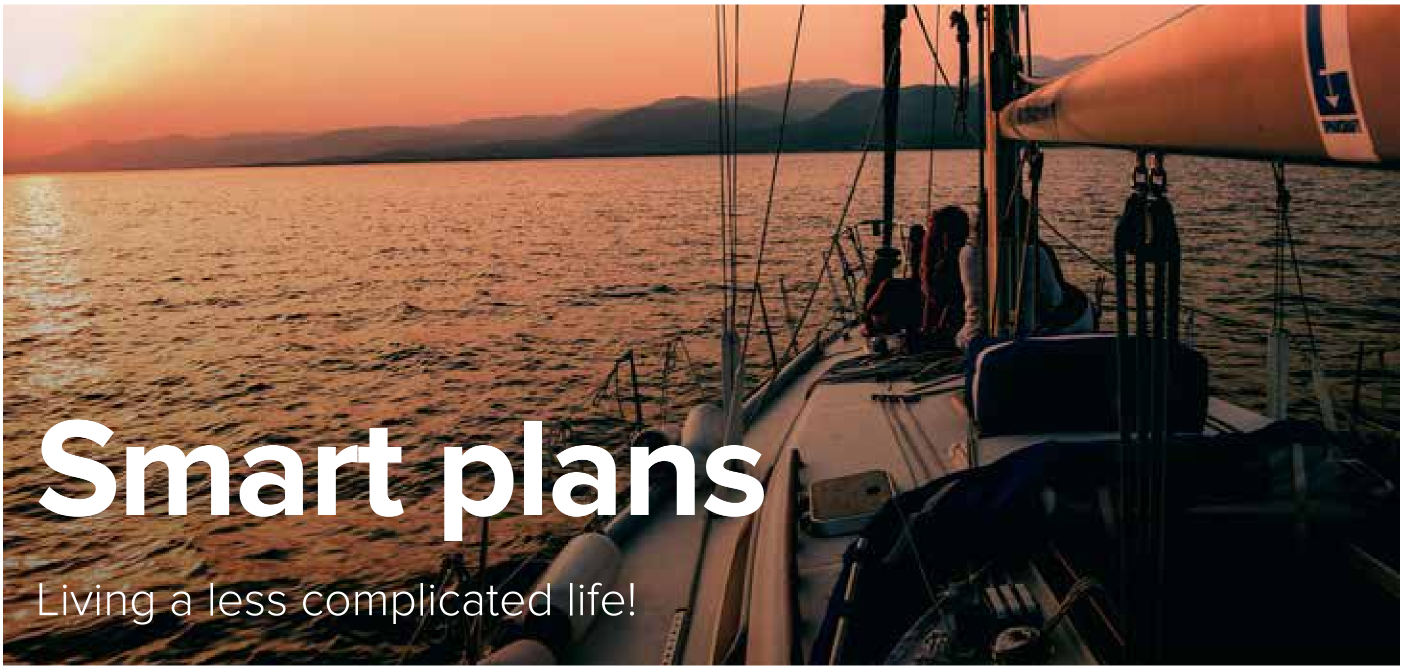

For anyone enjoying their retirement years and living a less complicated life, it can be easy to assume that you no longer require professional financial advice. Some people may believe that since they have reached their 60s and 'retired', the hard work is over.

But there are probably another three or four decades ahead, and if we were to split life into two halves, this second half is likely to be more complex and challenging than our careers. From age 60-plus, the world will throw a host of challenges our way.

This is not the time to be without expert professional financial advice. This is the period of life when financial planning is most valuable and rewarding.

Looking ahead

Between the ages of 20 to 60 is typically the period of working life for most people. You work and strive, building a career, buying a house, raising a family, perhaps paying for education and enjoying a certain standard of living.

This entails managing debt, balancing income and expenditure, putting money away into a pension, saving for a rainy day and topping up ISAs annually. It is hard. It can be a tough climb. You need to be well equipped.

All of a sudden, the striving is over. Enough money, or so you hope, has been invested to leave the workplace behind, and your mortgage is repaid. The pension pot is bulging, your children have graduated and the new car on the driveway is finance-free for the first time. Your sights are set on a holiday home, and everything looks good.

You may well have had professional financial help during this 40-year growth phase, but most of those years may be behind you. You need to look ahead.

Overriding emotions

But it's the second half of life, from the 60-plus stage, that is more aligned to spending. Having achieved so much in life, the overriding emotion can now be the fear of loss. The conundrum being: 'How can we live our ideal life, safe in the knowledge that we will always have enough?'

Safety and fear of loss are key concerns. Have we got enough income to meet our obligations? Will we run out of money? Can we afford to support our favourite charity? What happens if one of us needs long-term care? Should we help our children now, or later? Is our capital keeping up with inflation? Can we keep on having fun?

As people age, illness can strike out of the blue and blow plans off course overnight. What then? A new and unexpected challenge, and no life experiences to fall back on. There are choices and tough emotional decisions to be made – this is when professional financial advice and support are essential. ■

Maintaining your lifestyle once you've stopped work

One of the most common worries for many people as they enter retirement is to ensure they're able to maintain their lifestyle once they've stopped work. Continuing to have access to and receive professional financial advice is key. If you've retired and want to reassess your options, please contact us.

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Seize the day

Planning for a comfortable life after years of hard work

Over time, with life expectancy and the cost of living rising, it could mean that some retirees are at risk of running out of pension income in later life. So what can you do to make sure that you have a big enough pension to meet your needs for the whole of your retirement?

To begin with, we all know when planning for retirement, the earlier we start saving and investing, the better off we'll be, thanks to the power of our money compounding over time. And even if we start saving later in life or we've yet to begin, it's important to know that we're not alone and that there are steps that can be taken to increase our eventual retirement savings.

It's no secret – retirement changes your life

After years of hard work, retirement is an exciting period in life. You might be looking forward to taking a trip to sunnier climes, dedicating more time to a favourite hobby or spending more time with family and friends. However, to ensure that you are able to continue to pay the bills and live comfortably when you are no longer drawing an income, you need to start putting money aside as soon as possible. The thought of it may be daunting, and it can feel like an impossible mission.

The process of building a retirement pot typically involves a combination of consistent saving and long-term investments, but saving and investing for your retirement can look pretty different during your twenties versus your forties.

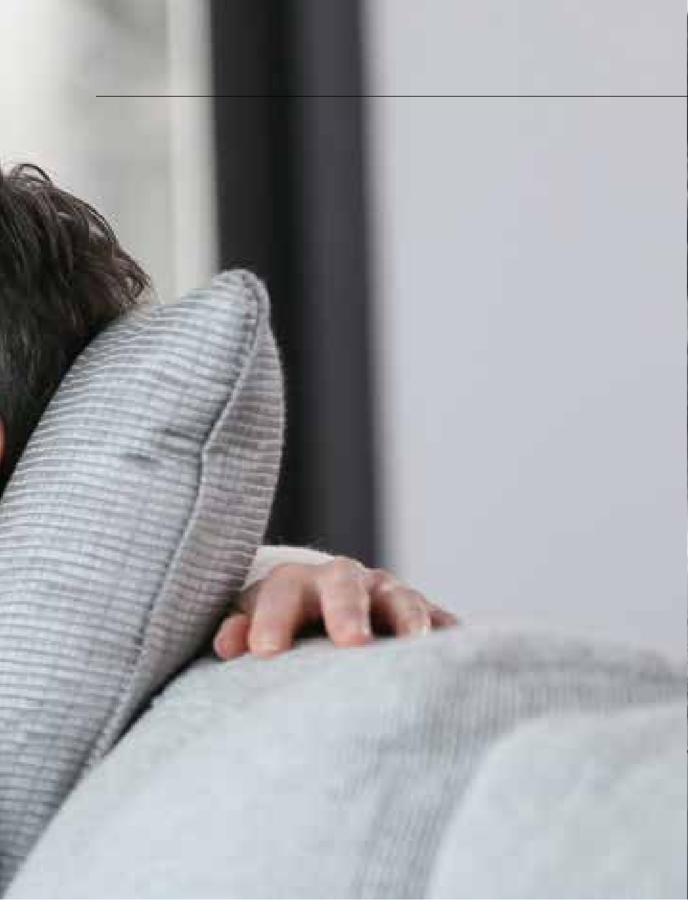
On your way to a comfortable life after work

With discipline and determination, you can be on your way to a comfortable life after years of hard work. Building a retirement pot requires more certainty in your financial planning and less risk-taking. But first, you need to figure out how much you need in order to set a goal.

Retirement is personal and full of surprises, so it's important to decide what you want yours to look like first, and then plan how to make it a financial reality. We've provided some tips to help boost your savings – no matter what your current stage of life – to enable you to pursue the retirement you deserve.

1. Retirement goals

Setting up a retirement goal requires you to find out how much income you need when you have stopped working. To get



an indication of this, use the following questions to help you:

- At what age do I plan to retire?
- How many years do I have to plan for whilst I'm in retirement?
- What is my desired monthly income during retirement?

2. Risk appetite

Are you a 'conservative' investor who cannot afford to lose the initial capital you put up? Can you sacrifice the certainty of having your principal protected in order to gain higher potential earnings?

If you do not already have a large sum of retirement savings, you shouldn't take too much risk when you invest, since you may not have the luxury of time to recoup any investment losses as you approach your retirement target age.

3. Time horizon

If appropriate, generally a bigger portion of your retirement pot can be apportioned for higher-risk investments if you start early in your career. As you progress closer towards the retirement years, it's usually prudent for your pension pot to focus increasingly on lower-risk investments or savings with the objective of providing more stable returns.

It's important to consider allocating your investments into products suitable for different investment horizons (short, medium and longer term) depending on your risk appetite. For example, a short-term investment could include some riskier assets such as single equities or investing in a fast-growing speciality fund. You should always be reminded that with higher expected returns come higher risks.

4. Inflation

If you choose to save your way to retirement by putting cash into a savings account, the value of your money could potentially be eroded due to inflation. Therefore, in order to ensure that the money you have now preserves its purchasing power during your retirement years, you need to choose savings or investments that have the potential to provide you with higher returns.

5. Diversification

While putting all your retirement savings into a bank account can be potentially risky, so too can investing all of your savings in shares. The key to growing your retirement fund will typically include having different asset classes in your portfolio, which is otherwise known as 'diversification'. Diversification not only helps you manage the risk of your investments, but it also involves re-balancing your portfolio to maintain the risk levels over time.

6. Affordability

Building a retirement pot is a long process. By starting late, you may find that you need to set aside a larger amount for your retirement. This could reduce your current disposable income and may cause you to reduce your current quality of life.

Therefore, you'd want your retirement sum to be an affordable amount for your current lifestyle. We can work with you to help you take a look at your current commitments to make saving for your retirement a sustainable habit. ■

How much money do you need to retire?

It's never too early to start planning for your retirement! With discipline and determination, you can be on your way to a comfortable life after years of hard work. To find out more or to discuss your situation, please contact us.

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No pain, no gain

Planning to get where you want to be

Successful saving and investing is arguably a lot like exercise – no pain, no gain. As is the case when undertaking a new fitness regime, if you properly commit yourself and stick to it, the eventual outcomes can be very rewarding.

Many people have savings and investment goals in their life, from the old adage of saving for a rainy day to planning for a comfortable retirement. Working out exactly what you want to get out of your investments will help you set realistic targets and keep you on track.

It will also give you an incentive to keep going when you need to and enable you to arrange your personal finances to get you where you want to be.

Types of goals

The three most common types of investment goal are retirement planning or a property purchase over the very long term (15 years or more); life events, such as school and university fees over the medium term (10-15 years); and a rainy day fund or lifestyle funds to finance goals such as that dream car or dream cruise over the medium to shorter term (5-10 years).

The minimum time horizon for all types of investing should be at least five years. But whatever your personal investment goals may be, it is important to consider the time horizon at the outset, as this will determine the type of investments you consider to help achieve your goals.

It also makes sense to revisit your goals at regular intervals to account for any changes to your personal circumstances, for example, the arrival of a new member of the family.

Investment strategies

Investment strategies should often include a combination of various fund types in order to obtain a balanced and diversified approach. Maintaining this approach is usually key to the chances of achieving your investment goals, while bearing in mind that at some point you will want access to your money. This makes it important to allow for flexibility in your planning.

Long term: retirement planning

The importance of shifting goals can be seen in retirement planning, where it is quite common for funds to be more geared towards equities in their early stages to try to build capital. As an individual grows closer to retirement age, their pension plan will tend to lean more towards bonds to reduce volatility. Exposure to riskier sectors such as commodities or real estate may also be gradually reduced as the individual ages.

A typical pension plan may start out as 60% equities, 30% bonds, and 10% 'other', including real estate or commodities, when the employee starts work. Towards the end of its life, the plan may be 70% bonds, about 20% in equities, and up to 10% in cash. This ensures that the person retiring does not become susceptible to a sudden slump in stock markets just as they are about to cash in the fund.

Medium term: school and university fees plans

School and university fees planning may involve the same idea of buying a mix of equities, bonds and other investments in order to build enough capital to pay for education. Most plans of this type are geared to begin paying out after a fixed-term horizon, usually ten years, with withdrawals allowed incrementally after that to meet the fees. In this way, they need to be more flexible than pension plans that only pay out on retirement.

For this reason, parents often start plans when their baby is born so that they can start paying out when the child starts secondary school at age eleven, or even years before then, especially if they want their children to go to fee-paying primary or preparatory schools.

Short to medium term: lifestyle plans

Investment companies can offer ten-year plans or even shorter savings schemes that help pay out for a future holiday or dream car. A large number of products now exist for this, including Individual Savings Accounts that contain stocks and shares, depending on your timescale and willingness to accept risk. ■

Ready for the next step?

Whether you are looking to invest for income or growth, we can provide the professional financial advice, comprehensive investment solutions and ongoing service to help you achieve your financial goals. To identify which options are right for your individual circumstances or to find out more, please contact us – we look forward to hearing from you.

Millennials get real with the numbers

Making sacrifices for home ownership over retirement

Millennials are chasing the home ownership dream at the potential cost of a lower income in retirement, new research[1] shows.

Over a third (35%) of millennials say they prioritise saving for a deposit on a home instead of their retirement. Nearly a fifth (19%) say buying a house is the main reason they don't save more into their pension, while 10% say student debt stops them saving into a pension. One in 11 (9%) admits that frequently changing jobs affects their ability to make regular pension contributions.

Millennials seem willing to make sacrifices for home ownership, with one in ten (10%) living with parents instead of renting to help save more money for a home. The study found men are almost twice as likely (20%) to be heading home compared to women (11%).

Bank of Mum and Dad

Despite worries about graduate debt and the squeeze on wages, on average, nearly a third (31%) expect to buy their first property by the age of 30, with men (39%) more confident than women (26%) they'll achieve their ambition. However, the research shows they won't all have to save hard – an optimistic 20% expect to receive financial aid from the Bank of Mum and Dad.

Industry data[2] shows millennials are right to be hopeful about home ownership – around 365,600 first-time buyers completed mortgages in the year to July 2018, borrowing a total of £59.9 billion. The average age of the first-time buyer during the year was 30, borrowing an average £145,000 on a gross household income of £42,000.

But pensions are feeling the strain. The research found around 21% say they have not started saving for retirement yet, while 15% say pension saving does not motivate them, and 12% believe pensions are irrelevant to millennials.

Focused on home ownership

Retirement can seem daunting for millennials and is, of course, a long way off when you are contending with student debts and high rents. However, it is crucial to start saving for your pension as early on as possible, putting away as much as you can each time.

It is easier if you start doing this as soon as you start working, so you get used to the money going straight into your pension pot. Many will, at least, be saving through the workplace, which is a good start, and contributions should be regularly reviewed to ensure a significant fund can be built up.

Not all millennials, however, are focused on home ownership. According to the survey, approximately 17% of under-35s say buying a house is a not a realistic option at present, while 11% say that saving for a house deposit is not a financial priority. And it is not just millennials, as the research shows that one in seven 35 to 54-year-olds have given up on the hope of ever owning a home. ■

Source data

[1] Consumer Intelligence conducted an independent online survey for Prudential between 20 and 21 June 2018 among 1,178 UK adults

[2] https://www.ukfinance.org.uk/house-purchase-activity-slows-in-june-but-remortgaging-activityremains-high/

Don't let saving become a daunting prospect

Juggling buying a house with saving for retirement is no doubt a challenge, and it is inevitable that something may get dropped, which unfortunately appears to be retirement saving. However, it is important to start saving for your pension as early on as possible. To find out how we can help, please contact us – we look forward to hearing from you.

Retirement options

Greater responsibility on individuals to plan for financial security in old age

Deciding what to do with your pension pot is one of the most important decisions you will ever make for your future. The 'pension freedom' changes of April 2015 represented a complete shake-up of the UK's pensions system, giving people much more control over their pension savings than before.

New research[1] has revealed that the number of savers who have embraced their freedoms now exceeds one million (1.04 million). The report from HM Revenue & Customs shows that a record-breaking sum of £7.83 billion was withdrawn in 2018[2], up from £6.54 billion in 2017. It is reported that there have been 5.49 million individual withdrawals since the pension freedoms were introduced in 2015.

Uncontrolled 'dash-for-cash'

There is, however, currently no evidence of an uncontrolled 'dash-for-cash' that was feared by some when the freedoms were introduced. The 2018 figure of £7.83 billion needs to be seen in the context of a total private pension wealth in the UK of approximately £5,000 billion[3].

Withdrawal payments have also consistently averaged less than £4,000 since summer 2017, showing little evidence of savers rushing to buy extravagant luxury items. These freedoms are attractive to younger savers too, with recent figures released[4] finding that one third (33%) of under-35s believe this flexible access encourages them to put more money towards their pension.

Five tips to help make the most of the pension freedoms

1. Understand your State Pension

The State Pension continues to be most people's biggest source of income in retirement. But the State Pension, and the age at which you are entitled to this money, is changing – www.gov.uk/check-state-pension.

2. Take your time

You may have spent 40 years saving for your retirement. Take more than 40 minutes considering your options.

3. Obtain professional financial advice about what you can do with your pension pot

There are a number of different ways you can take your defined contribution pension pot. You can usually take 25% of your pot tax-free from age 55.

Your options are to:

Leave your whole pot untouched
You don't have to start taking money from your pension pot when you reach your 'selected retirement age'. If you want to build up your pension pot further, you can continue to receive tax relief on pension savings of up to £40,000 each year (tax year 2018/19), or currently 100% of your earnings if you earn less than £40,000, until age 75.

Guaranteed income (annuity)
You can use your pot to buy an insurance policy that guarantees you an income for the rest of your life – no matter how long you live. You don't have to accept the annuity that your pension provider or pension scheme offers you. The 'open market option' allows someone approaching retirement to shop around for a number of options to convert their pension pot into an annuity, rather than simply taking the default rate offered by their pension provider.

Adjustable income
This option is also known as 'flexi-access drawdown'. You move your pension pot into one or more funds that allow you to take a taxable income at times to suit you. You choose funds that match your income objectives and attitude to risk and set the income you want. The income you receive might be adjusted periodically, depending on the performance of your investments.

Take cash in lump sums
Another option is to take smaller sums of money from your pot until you run out. How much you take and when you take it is up to you. You decide how much to take and when to take it. Your 25% tax-free amount isn't paid in one lump sum – you receive it over time. Each time you take a lump sum of money, 25% is tax-free and the rest is taxable.

Take your entire pot in one go
You can cash in your entire pot – 25% is tax-free, and the rest is then taxed at your highest tax rate (by adding it to the rest of your income). However, cashing in your pension pot will not give you a secure retirement income. If you're thinking of doing this, you should first obtain professional financial advice to discuss your options.

Mix your options
You can mix different options. Usually, you would need a larger pension pot to do this.

4. Consider your life expectancy
Pension savings are intended to last the rest of your life, yet we typically underestimate how many years we may live. Figures from the Office for National Statistics[5] show that for 2015 to 2017, a woman's life expectancy in England from birth remains 82.9 years, and for a man it is 79.2. For men and women in Scotland and Wales, the latest figures show a slight decline by more than a month. Men in Northern Ireland have seen a similar fall.

5. Approach final salary pension transfers with caution
If you have a final salary pension, you will need to transfer it elsewhere to access the freedoms. This is a significant decision, as you could lose important benefits. Such a decision should be approached with caution and with the guidance of professional financial advice.

The onus is now firmly on us as individuals to plan our financial security in retirement. We're now expected to take greater responsibility for funding the time in our lives when we're dependent on a lifestyle that we've spent the last 40 years saving for. ■

It can help to be flexible
There's a lot to think about when you're planning for retirement. And don't forget that your situation may change in the future, so it can help to be flexible. If you would like to discuss your particular situation or arrange a meeting, please contact us.

Source data
[1] https://www.gov.uk/government/statistics/flexible-payments-from-pensions
[2] Note: this figure underplays the total amount withdrawn as it does not include any additional amounts taken as tax-free-cash.
[3] https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/wealthingreatbritainwave5/2014to2016#private-pensions-wealth
[4] Aviva 2018 survey of 1,000 UK adults: 'Would you put more money towards your pension if you were able to access the money more flexibly?'
[5] https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/lifeexpectancies/bulletins/nationallifetablesunitedkingdom/2015to2017

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Wealth protection

Planning your legacy

Unforeseen life events and circumstances can potentially impact your finances in a number of ways. Believe it or not, you have an estate. In fact, nearly everyone does.

Your estate is comprised of everything you own – your car, home, savings accounts, investments, life insurance, furniture, personal possessions – the list goes on. No matter how large or how modest, everyone has an estate and therefore shares something in common – you can't take it with you when you die.

Ensure your wishes are carried out

When that happens, you probably want to control how these things are given to the people or organisations you care most about. To ensure your wishes are carried out, you need to provide instructions stating whom you want to receive something of yours, what you want them to receive, and when they are to receive it. You will, of course, want this to happen with the least amount paid in taxes, legal fees and court costs.

An estate plan differs considerably from a Will. A Will is quite a simple document about the distribution of your assets and, potentially, instructions for the care of your children. An estate plan, however, goes much further than a Will, and aims to help your heirs pay substantially less in taxes and fees.

Let's consider some key parts of an estate plan.

Your current circumstances

There are a number of key documents that together build a clear picture of your current circumstances. Aside from the Will, some key documents within an estate plan could include:

- A lasting power of attorney
- A list of all assets and liabilities
- Deeds of any trusts created
- Life policies (which should be included in an appropriate trust)
- Pension Death Benefit Nomination forms
- Records of any gifts made

Before moving on to the next part of your estate plan

Should any of the above be required but aren't available, you should seek professional advice before moving on to the next part of your estate plan. For example, if you've made gifts from your estate but haven't kept a record of them, it's important to do so – this way, the executors of your estate have these details when administering your estate.

Key parts of an estate plan are your objectives and preferences. They could include details of whom you wish to benefit from your estate and when you'd like this to take place – either during your lifetime and/or upon your death. With Inheritance Tax (IHT) currently at 40%, many people are concerned about the amount of tax their estate may have to pay. And as anyone can access information from a probate court upon death, there could be delays, fees and a loss of privacy. You may also have a favourite charity you'd like to transfer your wealth to, or philanthropic goals you wish to include.

Structuring your wealth tax-efficiently

Once you have an accurate record of your estate and have clearly defined your objectives, the final part of an estate plan is to put it into place. You may need professional advice to help arrange your assets to maximise the legacy to your loved ones and minimise the impact of tax, fees and loss of privacy.

We can advise you on your options to make sure these are executed correctly. This may involve helping you invest in assets that are exempt from IHT, creating a trust for loved ones, putting a gifting strategy in place, or simply helping to structure your wealth tax-efficiently.

Reviewing your plan annually is sensible

Once the plan is in place, it's important to keep it up to date. It's usually sensible to review the plan annually or when there's a significant life event, such as a birth or death in the family, a business sale or if your objectives change over time. It can also be good to seek a review of your plan when taxation rules change.

Estate facts

- Inheritance Tax is levied at a fixed rate of 40% on all assets worth more than £325,000 per person (0% under this amount) – or £650,000 per couple if other exemptions cannot be applied
- Parents and grandparents can currently leave property worth up to £850,000 to their children without them having to pay Inheritance Tax. This figure will rise to £1 million by 2020
- The current allowance of £325,000 remains unchanged, but an additional tax-free band worth £175,000 per person on your main residence will be added to the £325,000, making it £500,000 per person. The new tax-free band was set at £125,000 in 2018, eventually rising to £175,000 in 2020

Need someone to talk to about your estate plan?

If you want to be sure your wishes will be met after you die, then an estate plan is vital. Whatever your circumstances, we are there to talk things through with and guide you in an appropriate direction. If you require more information or would like to discuss your situation, please contact us.

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 RULES AROUND TRUSTS ARE COMPLICATED SO YOU SHOULD ALWAYS OBTAIN PROFESSIONAL ADVICE.

Agricultural Shows

Come and join the fun!

This year, Moneyweb will be attending the Ryedale and Egton Agricultural Shows. The Ryedale show will be held on Tuesday 30th August, with the Egton show on Wednesday 21st August.

There will be complementary refreshments for all our clients and friends, and we encourage you to come along to the show and take full advantage of the hospitality. We will be fundraising at the shows again, and this year all monies raised will be donated to Sepsis. There will be a fun game for you to take part in with a lovely prize for the winner!

Sepsis is an illness in which the immune system attacks its own organs and tissues due to the body's overreaction to an infection. A more detailed description of this terrible disease and our other fundraising activities this year feature in the 'Total Warrior' article in this issue.

To find out more about our fundraising activities, please visit www.justgiving.com/fundraising/moneyweb.

Where are you on your retirement journey?

Don't fall foul of the tax rules and end up facing a significant tax bill

Are you approaching or in retirement? Are you confused about how much you're allowed to contribute to your pension and what to do if you've been hit with an unexpected tax bill?

Well, you're not alone, as new research[1] has revealed that due to levels of awareness of the Money Purchase Annual Allowance (MPAA), those approaching or in retirement could be faced with such an issue. In the survey of non-advised over-55s who are taking an income from drawdown, 22% said they were unaware there is an annual limit to the amount you can continue paying into your pension once you start drawing it.

What is the MPAA?

The MPAA was introduced in April 2015 to prevent people using the pension freedoms to recycle money through a pension and effectively receive additional tax relief on those savings. The MPAA restricts the amount available to save into a pension once it has been 'flexibly accessed', with the limit triggered, for example, by taking an income from drawdown. In practice, this relates to anyone who has withdrawn either a cash lump sum or income in excess of their 25% tax-free lump sum from defined contribution type pensions.

If you start to take money from your defined contribution pension, this can trigger the lower annual MPAA allowance. The restrictions include any payments into a pension, both made personally or via an employer. The MPAA is currently £4,000 in the tax year 2018/19.

While not everybody that was surveyed would potentially still be paying into their pension, it is nonetheless concerning that many people are unaware of the restrictions and potential tax implications if they continue to do so. The severe restrictions on the amount that can continue to be paid into a pension once benefits have been drawn are likely to catch many people out, leaving them vulnerable to large tax bills.

Navigating the various rules around pensions and retirement can leave people exposed, especially if they have chosen a 'DIY retirement'. Many people are taking advantage of the pension freedoms and yet have no plans to fully retire for many years, so the MPAA is likely to catch out the unwary.

HMRC[2] admits it isn't collating data on this issue, and says it is incumbent on individuals to declare additional savings via the self-assessment process. This might sound sensible until you consider the many people who have flexibly accessed pensions without advice who have previously never experienced the self-assessment process and remain blissfully unaware of the problem. ■

Want to explore your options?
Before deciding what to do with your retirement savings, it's a good idea to take some time to fully understand all your options. To discuss your requirements, please contact us.

Source data
[1] The research was conducted online by Censuswide between 5 and 9 November 2018 among 500 respondents aged 55+ with income drawdown investments.
[2] Canada Life Freedom of Information Request dated 10 August 2018.

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Yorkshire Choice Awards

Supporting Bethany's Smile

We are very pleased to announce that Moneyweb have been nominated for a Yorkshire Choice Award for the most 'Charitable Business'. At the time of going to press, the awards night was scheduled to take place in Leeds on Saturday 6th April, and we'll know the results by the time you read this!

The Yorkshire Choice Awards recognise local people and independent businesses that are an inspiration in their field, with the categories covering a wide range of backgrounds and skill sets. This year, the Awards are supporting Bethany's Hare's Smile Foundation – also known as 'Bethany's Smile'.

Smile Cottage

The main aim of Bethany's Smile is to raise £300,000 to build Smile Cottage, a holiday/respite home in Yorkshire where families can go and spend quality time together when they are faced with the news of a short life expectancy or terminal illness.

As well as Smile Cottage, Bethany's Smile supports families with other things such as laptops, wheelchairs, desks and chairs for bedrooms so school work can continue at home; roof boxes to allow easier travel when lots of equipment is required on holidays; and also special travel insurance. Bethany's Smile is one of very few charities where every penny goes to the cause due to having no staff and no overheads.

Recognising unsung heroes

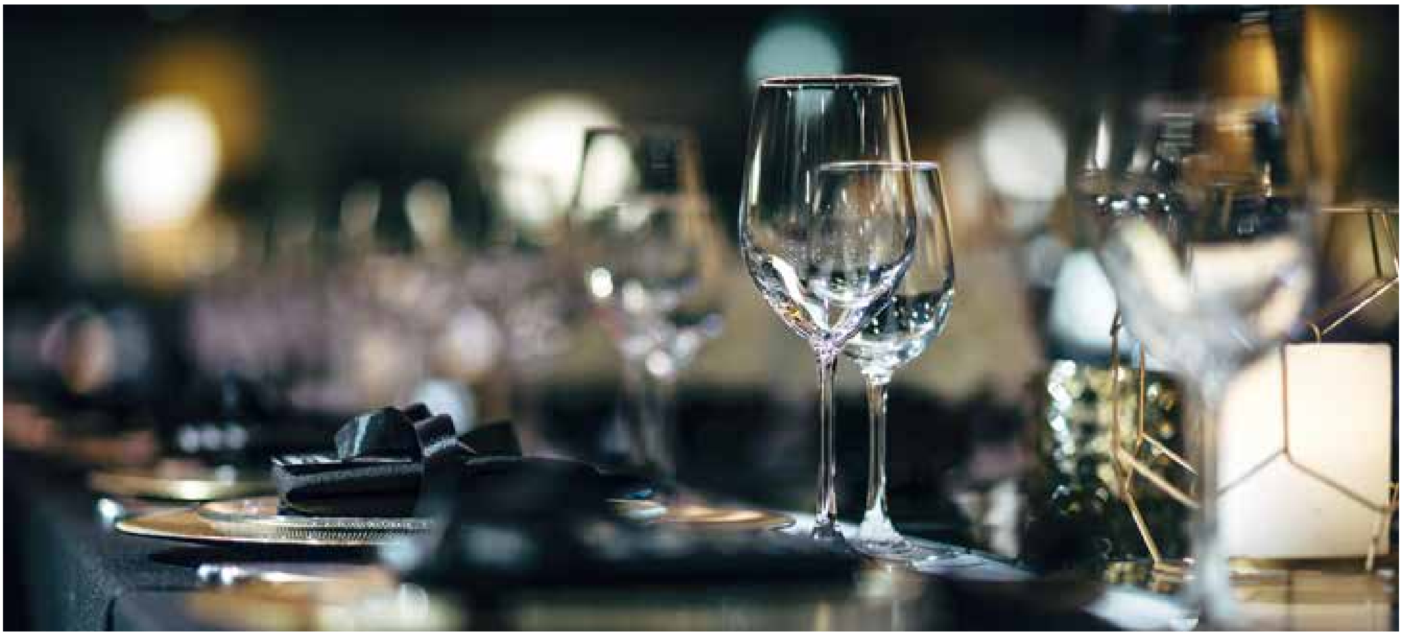
In the last three years The Yorkshire Choice Awards has grown considerably, celebrating the best from Yorkshire, and in the process has raised almost £30,000 for local charities.

In 2018, the Awards received 435,000 registered votes for nominees and enjoyed enormous press coverage from radio, print and media in Yorkshire, as well as broadcasting live with Made in Leeds on the big night and featuring on ITV *Calendar News*.

The Yorkshire Choice Awards allow businesses to enjoy extensive coverage, as well as helping unsung heroes receive the recognition they deserve and raising money for a deserving charity.

You can find out more at the following links:

www.yorkshirechoiceawards.co.uk
www.bethanyssmile.org



To downsize, or not to downsize?

Planning your next move for a comfortable retirement

It can be a daunting prospect to think about selling the family home, but it is a decision that many decide is the right choice for them once the children have long moved out and the upkeep seems too onerous. However, people don't often consider the impact this could have on their retirement, according to new research[1].

This has revealed that if people have decided to downsize, they could unlock value from their home, providing the often-overlooked solution to helping them achieve a comfortable retirement. The new report found that UK adults would like an annual retirement income of £39,773 to be comfortable in their later years. This is up from £26,184 in 2016.

UK adults' retirement savings expectations

Expectations for larger incomes in later life may stem from retirement savings increasing substantially over this time. The research found that the average size of a pension is up 7% over two years, from £174,555 to £186,617. In keeping with this, UK adults expect to have retirement savings of £215,852 by the time they stop work – up 27% from 2016 – when the expected amount was £169,594.

After the State Pension of £8,546 per year[2], £31,226 per year extra would be needed to meet people's desired income target of £39,773. At current low annuity rates, this income would need a pension pot of £600,515 for a level annuity.

Mind the gap – funding a desired lifestyle

Despite the increase in pensions savings, the bigger increase in expectations for income in retirement has meant that the pensions gap – the shortfall from what people will need to fund their desired lifestyle, if they bought an annuity, and what they expect to have in their pension pot at retirement – has gone up from £370,000 to £385,000 over two years.

Post-pension freedoms, there are several options for retirees to consider rather than having to buy an annuity, providing myriad ways for retirees to meet their income goals. For example, the research showed that figures revealed that those choosing to move to a smaller property, or 'downsizing', could release a significant amount of capital that could help them achieve the lifestyle in retirement that they really want.

Providing motivation for a move to a smaller property

Once the children have left home, moving closer to public transport links or to a single-story home can often provide motivation for a move to a smaller property that may be more suitable. Using average UK house prices for homes of different sizes, figures show that the £385,000 shortfall could be significantly plugged if downsizing from a four-bed to a two-bed property.

This would immediately increase savings by £287,286, or if invested over five years could be worth nearly enough to fill the gap, at £349,527[3]. If the decision to downsize is made earlier in life, then the funds could be invested over ten years[3], amounting to £425,253.

Planning to fund retirement by continuing to work

Despite the benefits of downsizing and increasing retirement savings, 83% of those surveyed said they did not intend to downsize to fund their retirement, increasing to 87% for over-55s. More people said that they plan to fund their retirement by continuing to work, either in their current role (11%) or by taking up a new job (9%), than by downsizing their property.

Considering the maximum annual pension contribution per tax year of £40,000, releasing a large amount of cash in one go from downsizing your property would mean only a portion can be invested directly into a pension. However, any money that is invested in this way would benefit from 20% tax relief before any investment return. The remainder can be invested or held in cash based on appropriate advice for that individual.

Monumental life decision that can be unnerving

Making the choice to downsize is a monumental life decision that can be unnerving to think about, but it can also have a great financial impact, providing a major boost to your retirement fund. Deciding on the right time to downsize can also be difficult, but the process can be easier if not left too late.

Moving to a smaller home nearby will lower the pressures that come with the upkeep and expenditure of a large property while keeping you near to any friends or family who live in the same area. Also, moving wealth from an illiquid asset such as property to a liquid asset such as cash has the added benefit of enabling tax planning, which could reduce any potential Inheritance Tax liability. It can be useful to take emotion out of the equation and try to be as pragmatic as possible – it's easier said than done, but it can help with some very tough decisions that need to be made.

Looking towards a patchwork of savings and assets

The research showed greater realism about how long it might take to accumulate assets to fund retirement, and what will be needed to reach financial goals in retirement. On average, people would like to retire at age 61, up five years from when the survey was last undertaken in 2016, when this was 56. However, many admit that early retirement is unrealistic, with 67 being the average at which respondents think they will have enough money to stop working, coinciding with the rising State Pension age.

Many people are now looking towards a patchwork of savings and assets to fund retirement. While only 17% of people expect to downsize, over one in three (34%) expect to draw on other savings to fund their retirement, and a fifth (20%) expect to at least part-fund their later years by continuing to work. In addition, 14% hope to use inherited money or property.

Complexities around optimal financial planning

Despite the complexities around optimal financial planning for retirement, 52% of people do not seek advice regarding retirement and do not plan to. This number increases to 70% for retirees, which may be why one in ten (10%) of them still don't know how they will fund their retirement.

Pensions have long been seen as the foundation of retirement saving, but many people now recognise that they will need to draw on other available assets to finance their retirement. The answer used to be to 'buy an annuity'. Whilst annuities still have a place as one of the few ways to guarantee an income, they are expensive. A successful retirement plan involves making the most of not just your pension, but all your savings, other investments and assets. ■

Source data

[1] Research conducted by Opinium Research amongst 5,000 UK adults between 30 August and 5 September 2018.

[2] Full State Pension 2018, https://www.gov.uk/new-state-pension/what-youll-get

[3] This assumes a 4% p.a. growth rate with dividends re-invested net of charges and no Capital Gains Tax to pay on the property sale.

Want to discuss your options?

Clearly, there is a lot to consider, and making the wrong retirement decisions can be costly. Many people approach retirement with little or no idea how much money they will need or the best way to take an income. Obtaining professional financial advice in the lead-up to and at retirement is essential. To discuss your requirements, please contact us.

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Total Warrior

On Saturday 22nd June, the Moneyweb team will be taking part in Total Warrior – a 12km race with 25 obstacles labelled as 'the pinnacle of obstacle racing providing the greatest courses set in the finest venues' – to help awareness of sepsis. The event is held at Bramham Park in Leeds, and our team of 23 contenders have employed the services of a personal trainer to whip them into shape!

The team range in fitness levels from those currently completing light exercise and those that are more active and fit. We have our very own Becky Mason competing who competes in world championships as a triathlete, so we are sure Becky will be leading the way! Our youngest competitor is 18 and our oldest 47 – everyone's giving 100% and getting stuck into training. We have weekly training sessions at Moneyweb, and many of the team are also conducting their own training programmes, be it running, boot camps, cycling, swimming and rowing.

What is sepsis?

Sepsis is the body's overreaction to an infection in which the immune system attacks its own organs and tissues. Sepsis does not discriminate; it claims more lives in the UK every year than bowel, breast and prostate cancer combined, and can arise from something as innocuous as a small cut, insect bite or urine infection. If not diagnosed and treated quickly, sepsis can rapidly lead to organ failure and death. Every year in the UK, at least 250,000 people develop sepsis. 52,000 of those lose their lives to the condition (that's 140 people every single day), and 60,000 suffer permanent, life-changing after-effects.

Sadly, we know too many people who have contracted sepsis. Our very own director Paul Robinson contracted the disease earlier this year and spent many weeks in hospital. He was lucky to have made it through, but like many who have contracted sepsis, he has suffered permanent life-changing after-effects.

Fundraising activities

We are hoping to raise £5,000 throughout 2019, with all monies going to the UK Sepsis Trust. To help raise money towards our target, we held a Mince Pies and Mulled Wine event at Christmas for our clients, including a raffle which raised £710.00. We would like to thank all clients that donated some lovely raffle prizes, bought tickets and supported the event. We also held a Beatle Drive at Sawdon Village Hall on 12th April and managed to raise even more funds, so a big thank you to everyone who was involved. ■

To find out more about our fundraising activities, please visit www.justgiving.com/fundraising/moneyweb.

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