PREMIER
FINANCIAL PLANNING

# PREMIER MONEY

MAY/JUNE 2024

## ENHANCING PENSION CONTRIBUTIONS FOR A BRIGHTER FUTURE

NEW TAX YEAR, NEW YOU? MAXIMISE YOUR PENSION SAVINGS THIS NEW TAX YEAR

**CHANGES TO INDIVIDUAL SAVINGS ACCOUNTS IN 2024**
Why savers and investors now have a more flexible approach

**COSTS OF LATER-LIFE CARE**
Establishing a thorough wealth strategy is key to ensuring financial readiness

**NAVIGATING INHERITANCE TAX**
How to pass on assets to the next generation to secure their future for tomorrow

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# INSIDE THIS ISSUE

**Welcome to our latest issue.** As we embark on the new tax year, on page 10, we consider why reviewing your pension savings strategy presents an opportune moment, setting a solid foundation for future financial stability. Early attention to your private pension at the onset of the fiscal year is not just about cultivating beneficial saving habits; it's also about ensuring you take advantage of the benefits and allowances available to you.

Individual Savings Accounts (ISAs) offer a versatile and tax-efficient way to save for the future, whether for yourself, your children or grandchildren. Now that we have entered the new financial year, significant changes to ISAs have been introduced. From 6 April, savers and investors now have a more flexible approach to using their ISA allowance. For the first time, individuals can open multiple accounts of the same type of ISA within a single tax year, from 6 April one year to 5 April the next, provided they do not exceed the annual ISA limit. Read the full article on page 08.

The financial implications of care in later life are often underestimated, leaving many unprepared for the substantial costs associated with care homes. On page 07, we look at why establishing a thorough wealth strategy is key to ensuring financial readiness for long-term care needs.

Inheritance Tax (IHT) represents a significant consideration for anyone looking to pass on assets to the next generation. With the IHT threshold frozen until at least April 2028, understanding how to manage your estate's potential IHT liability is more crucial than ever. Turn to page 12 to read more. A complete list of the articles featured in this issue appears opposite.

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**SAFEGUARDING, EXPANDING AND CULTIVATING YOUR WEALTH**

Make wise choices with expert guidance. Secure the potential for a prosperous future through our personalised financial planning services. We're here to assist in safeguarding, expanding and cultivating your wealth. For an in-depth conversation about your needs or to learn more, get in touch with us.

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# ENHANCING RETIREMENT **THROUGH LUMP SUM CONTRIBUTIONS**

## CONTRIBUTING ADDITIONAL AMOUNTS TO YOUR PENSION STANDS TO BENEFIT YOU SIGNIFICANTLY IN THE LONG TERM

**Recent research findings have brought to light a striking observation:** fewer than 10% of adults in the UK contribute occasional lump sums to their pensions[1]. This statistic is particularly surprising given that such contributions could significantly amplify one's retirement savings.

**Analysis reveals that even modest lump sum investments** can significantly increase the overall size of one's pension pot due to the power of compound growth over time. For example, starting with an annual salary of £25,000 and contributing the auto-enrolment minimum (5% from the employee and 3% from the employer) from age 22 could lead to a retirement fund of around £434,000 by 66 [2].

Yet, by adding nine lump sum payments of £500 every five years from age 25 to 65, one could enhance one's retirement savings by an additional £11,000. Those capable of making heftier contributions, such as £5,000 every five years, could see their pension pot grow to £549,000, which is £115,000 more than without any lump sum additions, not accounting for inflation.

### VALUE OF FORWARD-THINKING FINANCIAL DECISIONS

Encountering unexpected financial windfalls, whether through bonuses, gifts or other means, often tempts immediate expenditure. Currently, many are directing these extra funds towards managing monthly expenses. However, those who are financially able to contribute additional amounts to their pension stand to benefit significantly in the long term.

Pensions offer tax efficiency and the potential to outpace both inflation and interest rates on savings accounts, making them a wise choice for securing one's financial future. With the end of the fiscal year having passed, and with it the expectation of annual bonuses for many, allocating a portion of this windfall towards a pension could substantially impact one's retirement lifestyle.

### ROLE OF EMPLOYERS AND PROVIDERS IN FUTURE PLANNING

Employers and pension providers play a crucial role in educating individuals about the importance of long-term financial planning. It is essential to illustrate how pensions fit within a broader financial context, ensuring individuals perceive retirement savings as a key component of their overall financial strategy.

These efforts can empower individuals with the knowledge and resources needed to make informed decisions about their financial future, fostering a proactive engagement and planning culture. ◀

**WANT TO ENHANCE YOUR FINANCIAL SECURI AND PREPARE FOR A COMFORTABLE RETIREMENT?**

If you seek further insights into maximising your retirement savings through lump sum contributions or require personalised financial planning advice and wish to explore how to enhance your financial security and prepare for a comfortable retirement, please get in touch with us. Let us help you navigate your path towards a financially secure and fulfilling retirement.

**Source data:**

[1] Boxclever conducted research for Standard Life among 6,350 UK adults. Fieldwork was conducted 26 July–9 August 2023. Data was weighted post-fieldwork to ensure the data remained nationally representative on key demographics.

[2] Calculations assume the following: Starting salary £25,000 – Employer contributions 3.00% – Employee contributions 5.00% – Investment growth 5.00% – Salary growth 3.50% – Annual investment costs 1.00%

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A PENSION IS A LONG-TERM INVESTMENT NOT NORMALLY ACCESSIBLE UNTIL AGE 55 (57 FROM APRIL 2028 UNLESS THE PLAN HAS A PROTECTED PENSION AGE).

THE VALUE OF YOUR INVESTMENTS (AND ANY INCOME FROM THEM) CAN GO DOWN AS WELL AS UP, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS. YOU TAKE YOUR BENEFITS.

# BRITONS PROCRASTINATE **ON MAKING A WILL**

## RESEARCH IDENTIFIES THAT OVER HALF OF ADULTS DO NOT HAVE A WILL

**Recent research has uncovered that a staggering 51% of adults in the UK have neither penned a Will nor are they in the process of doing so[1].** This statistic encompasses 13% of individuals affirmatively declaring no future plans to undertake this task.

**Alarmingly, a significant portion** of the older demographic, with 30% of those aged 55 and above, also finds themselves without a Will, including 9% who have decisively chosen not to create one. The primary deterrent for many is the perception of insufficient assets or wealth, cited by 26% of respondents, indicating a widespread misconception about the necessity of a Will.

### COMMON MISCONCEPTIONS AND FEARS

A considerable number of Britons, 23%, procrastinate on making a Will under the assumption that there is ample time to address this matter. Additionally, the subject of Wills, intertwined with the discomfort of contemplating mortality, deters 15% of the population. Others express reluctance to engage with legal professionals (8%) or incur the costs of drafting a Will (14%).

The apprehensions surrounding the absence of a Will are significant; 27% fear leaving behind a cumbersome amount of paperwork for their loved ones, while 23% worry about the misallocation of their estate.

### IMPACT OF NOT HAVING A WILL

The repercussions of not having a Will extend beyond mere inconvenience. Many express concerns over the potential for lengthy resolution processes (18%) and fears of familial disputes (15%). Interestingly, a sizeable 41% of respondents claim to harbour no worries regarding the lack of a Will.

Among those who have taken the step to create a Will, 55% employed the services of a solicitor. By contrast, a smaller fraction, 16%, opted for a DIY approach, including handwritten attempts and online services. Despite the autonomy of creating one's own Will, 61% did not seek legal or financial counsel during the process.

### IMPORTANCE OF CREATING AND UPDATING YOUR WILL

The hesitancy to draft a Will often stems from various reasons, including perceived time abundance, misconceptions about wealth requirement and apprehensions regarding costs or equitable estate division.

Nonetheless, the importance of drafting a Will transcends these short-term concerns, offering long-term peace for your loved ones by mitigating potential burdens in unforeseen circumstances. For those who have taken the proactive step of creating a Will, it is crucial to periodically review and update it, particularly following significant life events such as divorce, to reflect current wishes accurately. ◀

### TIME TO TAKE THE NEXT STEP TOWARDS PEACE OF MIND?

Preparing or updating your Will is crucial in securing your legacy and ensuring your wishes are honoured. If you have any questions, need further information or require professional assistance with drafting or revising your Will, we're here to help. We look forward to assisting you every step of the way. Don't leave your future to chance.

**Source data:**

[1] The survey conducted by Opinium among a national representative sample of 2,000 UK adults between 23–27 February 2024.

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# PRUDENCE OF **PERSEVERANCE IN INVESTING**

## MAINTAINING AN INVESTMENT STANCE CENTRED ON THE POTENTIAL FOR LONG-TERM GROWTH

**For investors, the perennial question of whether to 'stick or twist'** with their current investments or pivot towards the perceived safety of cash is fundamental. Numerous factors influence this decision, which plays a pivotal role in the journey towards financial prosperity.

**The appeal of cash,** particularly in uncertain times, is clear; however, a judicious choice to remain invested frequently emerges as the more astute strategy.

### THE CASE FOR LONG-TERM INVESTMENT

The argument for maintaining an investment stance centres on the potential for long-term growth. Historically, investment options such as stocks have consistently outperformed inflation and delivered significant returns over prolonged periods.

The magic of compound interest, where your investments earn returns that, in turn, generate their own earnings, can dramatically increase the value of your initial stake, potentially leading to exponential growth over time.

### THE FUTILITY OF MARKET TIMING

The endeavour to time the market, shifting to cash in downturns and returning in upswings, is beset with difficulty. Even the most experienced professionals often fail to make consistently accurate timing decisions – a fact highlighted by Warren Buffett, who attributes his success to a mere dozen 'truly good' investment choices.

Predicting market movements can be challenging, especially in bull markets - when the prices of stocks or other assets generally rise over a sustained period of time, usually accompanied by optimism and confidence among investors. It's like a market on the rise, where people expect good things to continue happening. Investors may sell at low points and miss subsequent recoveries or remain in cash during bull markets, thereby forfeiting potential gains. This underscores the principle that 'time in the market, not timing the market' is a more reliable pathway to capturing long-term growth.

### DIVERSIFICATION AS A RISK MANAGEMENT TOOL

Diversification is a key tenet of sound investing. By allocating resources across a variety of asset classes, sectors and themes, investors can mitigate the risks associated with specific market segments.

Staying invested allows for the upkeep of a diversified portfolio, which serves as a buffer against market volatility. Such portfolios often experience smoother performance trajectories, as positive returns from certain assets can help offset losses in others. This proves particularly beneficial during economic slumps when specific sectors might lag.

### HIDDEN COSTS OF HOLDING CASH

Holding cash may seem like a prudent financial safety net, offering immediate liquidity and a sense of security. However, this approach has drawbacks, as it effectively sidelines the potential for higher returns from other investment avenues.

Embracing a long-term investment strategy is key to preserving and enhancing the real value of your wealth over time, navigating past the limitations imposed by cash holdings.

### EMOTIONAL TURBULENCE IN INVESTING

The investing journey can be fraught with emotional upheaval, particularly during market volatility. By committing to a long-term investment stance, investors are better equipped to sidestep the behavioural pitfalls of fear and greed, which often precipitate rash decisions.

A robust investment strategy, centred around long-term objectives, can help instil confidence that enables investors to endure the tempests of market fluctuations with composure.

### MITIGATING TAX IMPACTS ON INVESTMENTS

The influence of taxation on investment outcomes cannot be overstated. Liquidating assets could trigger a Capital Gains Tax payment, potentially carving a significant slice from your profits. A commitment to remain invested, deferring the realisation of these gains, offers an avenue to mitigate tax liabilities, thereby bolstering the efficiency of your investment portfolio.

The annals of financial history are replete with instances of market resilience and the inevitable cycles of downturn and recovery. Although economic setbacks, such as recessions and market crashes, are inescapable, they can potentially set the stage for subsequent periods of growth. Staying the course allows investors to partake in the recovery, harvesting the rewards of economic upturns.

### REMAINING INVESTED BECOMES INCONTROVERTIBLE

In light of the compelling arguments for long-term growth prospects, the psychological steadiness afforded by a consistent investment approach, tax advantages and the historical patterns of economic recovery, the logic for remaining invested becomes incontrovertible.

While maintaining a reserve of cash for emergencies or imminent expenditures is wise, the strategy of continued investment is eminently sensible if it matches your risk profile, needs and circumstances. ◀

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**DO YOU WANT TO DISCUSS PLANNING OPPORTUNITIES FOR YOUR INVESTMENT PORTFOLIO?**

Ensuring the alignment of your financial plan with your investment portfolio and periodically reviewing your investment strategy is key to ensuring it remains aligned with your financial aspirations and risk tolerance. To discuss how we can help you take advantage of long-term investment, please get in touch with us.

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# COSTS OF **LATER-LIFE CARE**

## ESTABLISHING A THOROUGH WEALTH STRATEGY IS KEY TO ENSURING FINANCIAL READINESS

**The financial implications of care in later life are often underestimated,** leaving many unprepared for the substantial costs associated with care homes. Establishing a thorough wealth strategy is key to ensuring financial readiness for long-term care needs.

**In England, individuals with assets exceeding £23,250** are currently required to self-fund their care home expenses. However, a new government proposal aims to introduce an £86,000 lifetime cap on care fees starting from October 2025, designed to simplify care fees planning and potentially reduce the financial burden on individuals.

### UNDERSTANDING THE £86,000 CAP ON CARE FEES

The proposed cap on care fees, often referred to as the 'social care' cap, intends to limit the personal financial contribution towards long-term care costs. At first glance, the cap appears to offer considerable relief; after an outlay of £86,000, further personal care costs would ostensibly be covered by one's local authority.

Yet, it's crucial to recognise that this cap exclusively pertains to personal care costs, leaving individuals responsible for additional expenses such as accommodation and living costs. Moreover, the intricacies of what expenditures count towards the cap mean that many may find themselves contributing significantly more than £86,000 for their care.

### CHANGING LANDSCAPE OF SOCIAL CARE FUNDING

The government's proposal extends beyond the care fees cap and includes adjustments to the capital thresholds associated with means-tested social care funding. Key changes the government is proposing from October 2025 are introducing an £86,000 'cap' on how much an individual has to spend on personal care costs over their lifetime and increasing the upper and lower capital thresholds for means-tested social care funding to £20,000 and £100,000.

At present, the social care upper limit is £23,250, and the lower limit is £14,250 in England. If your assets are above £23,250 and you don't qualify for NHS support, you must pay full care fees. If your assets are below £14,250, then the local authority will pay for your care costs. Any income you do have will be used to pay part of your care fees.

### FORWARD PLANNING FOR CARE COSTS

The thought of requiring long-term care and the financial implications that come with it is often met with apprehension. The unpredictability of needing social care in later life, coupled with potential changes in care requirements, underscores the importance of early financial planning.

Securing professional financial advice and incorporating care costs into your retirement plans can demystify the expenses involved, enabling you to address them tax-efficiently. This preparatory step clarifies cost implications and strategies for maximising tax benefits.

### TAX PLANNING AND ANNUITIES FOR CARE COSTS

Addressing care home costs effectively involves a blend of strategies, including tax planning and considering annuities for care fees. Tax planning for care homes focuses on implementing measures to manage the tax implications of financing and affording care home expenses.

The goal is to optimise financial resources while ensuring necessary care is received without incurring excessive tax liabilities. Alternatively, annuities for care home fees offer a financial mechanism to cover retirement care costs, providing a regular income stream in exchange for a lump sum payment to an insurance company.

### STRATEGIES FOR MANAGING CARE EXPENSES

Annuities serve as a viable option for managing care home fees, offering a lifetime income following an initial lump sum payment, akin to purchasing any other annuity. The cost and subsequent income are determined by an assessment of medical records and expected lifespan, ensuring the arrangement meets the individual's needs.

Notably, if the annuity income is paid directly to a registered care provider, it may be tax-exempt, further enhancing its appeal. These financial products also afford flexibility, including provisions for spouses and adjustments for inflation, adding a layer of security to your financial planning for care. ◀

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**DO YOU REQUIRE EXPERT GUIDANCE AND SUPPORT TO PLAN FOR FUTURE CARE COSTS?**

We're ready to offer expert guidance and support if you require additional information or assistance in planning for future care costs. We are committed to helping you navigate the intricacies of care planning and financial management, ensuring your financial wellbeing and security in later life. Contact us today to explore how we can assist you in achieving your financial goals and providing a comfortable and secure future.

**Source data:**

[1] https://ukcareguide.co.uk/rise-in-care-home-costs/

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# CHANGES TO INDIVIDUAL SAVINGS ACCOUNTS IN 2024

## WHY SAVERS AND INVESTORS NOW HAVE A MORE FLEXIBLE APPROACH

**Individual Savings Accounts (ISAs)** offer a versatile and tax-efficient way to save for the future, whether for yourself, your children or grandchildren. Now that we have entered the new financial year, on 6 April 2024, significant changes to ISAs have been introduced.

**Since April 6, savers and investors** have had a more flexible approach to using their ISA allowance. For the first time, individuals can open multiple accounts of the same type of ISA within a single tax year, from 6 April one year to 5 April the next, provided they do not exceed the annual ISA limit. This marks a departure from previous rules, which annually restricted savers to one account per ISA type.

### PARTIAL TRANSFERS AND THE BRITISH ISA

In addition to this newfound flexibility, the rules now permit partial transfers of funds from current tax year ISAs into different types of ISAs, enhancing the ability to tailor savings strategies to personal needs. Furthermore, the government has proposed a new 'British ISA' featuring a separate £5,000 allowance aimed at investments in UK-based companies on the UK stock market.

The Chancellor's announcement of the British ISA during this year's Spring Budget seeks to complement the existing £20,000 annual ISA allowance. This initiative is still under consultation, with a deadline set for 6 June, signalling a potential boost for domestic investment.

### DIVERSE SPECTRUM OF ISAs

The ISA regime offers a variety of options to cater to different financial goals and risk appetites. Whether prioritising safety, growth or a mix of both, there's an ISA type to match most requirements. From Cash ISAs, known for their simplicity and tax efficiency, to Stocks & Shares ISAs, which offer the potential for higher returns albeit with increased risk, choosing the right ISA depends heavily on individual circumstances.

### CASH ISAs

Cash ISAs serve as a cornerstone for risk-averse savers, providing a straightforward, tax-efficient haven for cash savings. Cash ISA products can be easy access accounts that allow immediate withdrawals or fixed rate accounts that reward savers for committing their funds for a predefined period. Although these accounts can offer both higher and lower interest rates typically offer lower interest rates than standard savings accounts, they present a valuable tax shield, especially for those who have maximised their savings allowance or anticipate doing so.

The allure of Cash ISAs lies in their tax advantages. Interest earned within these accounts does not contribute to the saver's personal savings allowance, thereby offering a tax-efficient growth environment for savings. This feature is particularly beneficial for higher rate taxpayers and those with substantial savings, making Cash ISAs an option despite potentially lower interest rates compared to non-ISA savings accounts.

### STOCKS & SHARES ISAs

Stocks & Shares ISAs, sometimes referred to as 'investment ISAs', present an opportunity for individuals to diversify their investment portfolio across a broad spectrum, including collective investment funds, Exchange Traded Funds (ETFs), investment trusts, gilts, bonds, and stocks and shares. This form of investment carries an inherent risk since the value can fluctuate significantly; however, historically, the stock market has offered returns that surpass those of traditional savings accounts over extended periods.

Investors can choose investment funds within a Stocks & Shares ISA, where funds are amalgamated with those of other investors and managed by a professional fund manager, diluting the risk associated with individual investments failing.

> **INVESTORS CAN CHOOSE INVESTMENT FUNDS WITHIN A STOCKS & SHARES ISA, WHERE FUNDS ARE AMALGAMATED WITH THOSE OF OTHER INVESTORS AND MANAGED BY A PROFESSIONAL FUND MANAGER, DILUTING THE RISK ASSOCIATED WITH INDIVIDUAL INVESTMENTS FAILING.**

Proceeds from Stocks & Shares ISAs are tax efficient. This encompasses both capital gains and dividends derived from the investments within the ISA. The convenience of not having to report these investments on a tax return simplifies the investment process, making Stocks & Shares ISAs an appealing starting point for newcomers to the investment world.

### LIFETIME ISAs

The Lifetime Individual Savings Account (ISA) presents a unique opportunity for individuals aged between 18 and 40, potentially benefiting your children or grandchildren. For each pound deposited into the account, the government offers an additional 25p, tax-free. With an annual contribution limit of £4,000, savers can receive a maximum bonus of £1,000 per year.

This fund can be used to purchase a first home worth up to £450,000 or for retirement savings, functioning similarly to a pension scheme. It is important to note that funds can be freely accessed after the age of 60 to supplement retirement income. However, early withdrawals for other purposes incur a 25% penalty.

The Lifetime ISA is available in two forms: Cash ISA and Stocks & Shares ISA. The market for Cash ISAs within this category is limited, with only a handful of providers. The £4,000 contribution towards a Lifetime ISA is counted within the broader £20,000 annual ISA allowance.

### JUNIOR ISAs

Turning our attention to Junior ISAs (JISA), these are designed for individuals under the age of 18. This financial year allows for an investment of up to £9,000 in either cash or stocks and shares. Access to the funds is restricted until the beneficiary turns 18, at which point full control over the account is granted. From the age of 16, they can manage the account, making it an ideal option for those looking to foster financial independence in their youth. From the start of the 2024/25 tax year, the minimum age to open a Cash ISA increased to 18.

### ISA TRANSFERS

The flexibility to transfer across different ISA providers and types (from cash to stocks and shares or vice versa) enhances the appeal of ISAs. However, verifying transfer policies with your chosen providers is critical, as not all permit transfers. Direct withdrawals and transfers should be avoided to maintain the funds' tax-efficient status. Instead, the recommended approach involves initiating the transfer through the receiving provider, who will manage the process on your behalf through a straightforward form.

### ISAs AND SPOUSAL INHERITANCE

When it comes to managing the financial aftermath of a loved one's passing, understanding the nuances of how Individual Savings Accounts (ISAs) can be inherited is key. An ISA can be transferred to a surviving spouse while retaining its coveted tax-free status, offering a silver lining during such difficult times.

However, it's important to note that no further contributions can be made to the ISA once the original owner has passed away. Nevertheless, any increase in account value during the probate period remains exempt from tax. For the surviving spouse, this transfer includes an additional ISA allowance, which is calculated based on the higher of two values: the cash or investments inherited or the market value of the ISA at the time of the original holder's death.

### NON-SPOUSAL BENEFICIARIES

The situation becomes markedly different when ISAs are bequeathed to beneficiaries other than the spouse. In these instances, the value of the ISA may fall within the scope of Inheritance Tax (IHT), which is levied at a rate of 40% on portions of the estate exceeding the current £325,000 (2024/25) IHT threshold. This significant tax implication underscores the importance of proactive estate planning to effectively navigate the potential fiscal impact. ◀

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**ARE YOU CONTEMPLATING OPENING AN ISA OR TRANSFERRING BETWEEN ACCOUNTS?**

From the growth-focused Lifetime ISA to the foundational Junior ISA, understanding the nuances and options available is crucial for maximising benefits. Please get in touch with us if you're contemplating opening an ISA or transferring between accounts and require further guidance. We can assist you in navigating these options to secure your financial future.

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# ENHANCING PENSION CONTRIBUTIONS **FOR A BRIGHTER FUTURE**

## NEW TAX YEAR, NEW YOU? MAXIMISE YOUR PENSION SAVINGS THIS NEW TAX YEAR

**As we embark on the new tax year,** it presents an opportune moment to review your pension savings strategy, setting a solid foundation for future financial stability. Early attention to your private pension at the onset of the fiscal year is not just about cultivating beneficial saving habits; it's also about ensuring you fully exploit the benefits and allowances available to you.

> **THE ANNUAL PENSION ALLOWANCE REPRESENTS THE MAXIMUM SUM THAT YOUR EMPLOYER AND ANY EXTERNAL PARTIES CAN CONTRIBUTE TO ALL YOUR PENSION SCHEMES WITHIN A TAX YEAR WITHOUT TRIGGERING A TAX CHARGE.**

**Delaying until the end of the tax year** might seem convenient, yet acting early and promptly in this new tax year allows your investments more time to grow. Leveraging the power of compound growth can significantly bolster your pension pot and, by extension, your retirement prospects.

### MAXIMISING YOUR ANNUAL ALLOWANCE

The annual pension allowance represents the maximum sum that your employer, you as the individual and any external parties can contribute to all your pension schemes within a tax year without triggering a tax charge. As established last year, this cap is set at £60,000 or 100% of your annual earnings, depending on which is lower.

For those without earnings, the maximum tax relievable contribution would be £3,600 gross, and for individuals who have commenced withdrawals from their pension funds, they might face the Money Purchase Annual Allowance, lowering their allowance to £10,000. If your financial situation permits, maximising your pension contributions early in the tax year enables you to fully utilise the annual allowance and potentially reduce your tax liability if your earnings are equal to the annual allowance or more.

### SECURING EXTRA SAVINGS THROUGH TAX RELIEF

Tax relief stands as a compelling incentive, rendering pension plans amongst the most tax-efficient vehicles for retirement savings. For the majority of UK taxpayers, this equates to a government top-up of 20% on pension contributions, effectively reducing the cost of a £100 addition to your pension to just £80 from your pocket.

Higher and additional rate taxpayers may be entitled to further relief, though claims beyond the basic rate require a self-assessment tax return. It's worth noting that some workplace pensions may apply tax relief differently, such as through salary sacrifice schemes, so it's advisable to verify the specifics with your employer.

### LEVERAGING WORKPLACE PENSION SCHEMES

Workplace pension schemes significantly enhance your ability to save for retirement, with compulsory contributions from both you and your employer. A minimum total contribution of 8% of your qualifying earnings is required, including at least a 3% contribution from your employer.

Many employers are willing to match your contributions up to a certain level, potentially doubling the investment in your retirement fund. Investigating whether increasing your contributions could lead to higher employer contributions is an astute strategy for maximising your pension growth.

### LEVERAGING BONUS SACRIFICE FOR PENSION ENHANCEMENT

In the realm of financial planning, particularly regarding retirement savings, the concept of bonus sacrifice stands out as a strategic manoeuvre. Employees who receive work bonuses have the opportunity to allocate a portion or the entirety of these bonuses directly into their pension schemes.

Some employers may be willing to match your contributions up to a certain level, potentially doubling the investment in your retirement fund. Investigating whether increasing your contributions could lead to higher employer contributions is an astute strategy for maximising your pension growth.

### OPTIMISING TAX-FREE PERSONAL ALLOWANCE

The tax year 2024/25 offers individuals a tax-free Personal Allowance of £12,570, a crucial figure in personal finance management. However, this allowance decreases by £1 for every £2 of income above £100,000, ultimately disappearing once income surpasses £125,140.

By strategically contributing to your pension, you can lower your taxable income and potentially reclaim any lost personal allowance. This results in receiving tax relief at an effective marginal rate of 60%, a significant advantage for your pension contributions.

### SECURING CHILD BENEFIT THROUGH PENSION CONTRIBUTIONS

Adjustments announced in the March 2024 Spring Budget have positively impacted the High-Income Child Benefit Charge threshold, now raised to £60,000 from 6 April 2024. With the complete cancellation threshold also increased to £80,000, fewer families will find their Child Benefit reduced or nullified.

Enhancing pension contributions can effectively diminish taxable income for those with earnings within these brackets, thereby retaining Child Benefit entitlements. Even for earners above £60,000, applying for Child Benefit to accrue National Insurance credits remains beneficial, which is vital for the State Pension. ◀

### TIME TO EXPLORE HOW TO ENHANCE YOUR PENSION?

Navigating the complexities of pension contributions and tax benefits requires careful consideration and professional financial advice. If you need further clarification or wish to explore more personalised financial strategies to enhance your pension, we are here to assist. Please do not hesitate to contact us for support and guidance to help you achieve a secure and prosperous retirement.

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YOUR PENSION INCOME COULD ALSO BE AFFECTED BY THE INTEREST RATES AT THE TIME YOU TAKE YOUR BENEFITS.

THE FINANCIAL CONDUCT AUTHORITY DOES NOT REGULATE TAX PLANNING.

# NAVIGATING **INHERITANCE TAX**

## HOW TO PASS ON ASSETS TO THE NEXT GENERATION TO SECURE THEIR FUTURE FOR TOMORROW

**Inheritance Tax (IHT) represents a significant consideration** for anyone looking to pass on assets to the next generation. As of the 2024/25 tax year, IHT incurs a 40% charge on the portion of an estate exceeding the nil rate band of £325,000, excluding transfers to a spouse or registered civil partner.

**Additionally,** introduction of the main residence allowance in 2017, offering an extra £175,000 relief when a primary residence is bequeathed to direct descendants or where an individual has moved into a care home, enables individual allowances to reach £500,000 before IHT applies cumulatively.

However, this allowance diminishes for estates valued above £2 million and comes with specific conditions, highlighting the importance of proactive IHT planning. With the IHT threshold frozen until at least April 2028, understanding how to manage your estate's potential IHT liability is more crucial than ever.

### EFFECTIVE ESTATE PLANNING STRATEGIES

A cornerstone of estate management and IHT management involves maximising the use of gift allowances. The law permits unlimited transfers between UK-domiciled spouses or registered civil partners without incurring IHT. For gifts to others, the annual exemption allows you to give away up to £3,000 per tax year, potentially carrying forward any unused allowance to the next year, enabling a £6,000 gift.

Further opportunities for IHT-free gifting include small gifts of up to £250 per person annually, donations to qualified charities and institutions, and wedding gifts within certain monetary limits, depending on your relationship with the couple. These strategies reduce your taxable estate and allow you to see your beneficiaries enjoy their inheritance during your lifetime.

### REDUCING ESTATE VALUE THROUGH INCOME GIFTING

Another straightforward method to minimise your estate's IHT exposure is to gift excess income. This approach requires that gifts do not affect your standard of living, originate from surplus income rather than capital and be made regularly.

You can significantly lessen the future IHT burden by redistributing income that would otherwise increase your estate's value. Moreover, such surplus income could be channelled into funding a life assurance policy within a trust, providing further financial efficiency and peace of mind.

### ASSET GIFTING CONSIDERATIONS

Gifting assets such as cash, art and property presents a viable strategy for reducing your future taxable estate's value. It's imperative, however, that once gifted, you derive no benefit from these assets to avoid them being classified as 'gifts with reservation', which could negate any IHT benefits.

Furthermore, to qualify as 'potentially exempt transfers', the '7-year rule' means you must survive for seven years following the gift. Failure to do so may result in the gifts being subject to IHT. Given the complexity of trusts, professional advice is prudent when considering gifts into trust, typically treated as chargeable lifetime transfers.

### TAPER RELIEF

| Years between gift and death | Rate of tax on the gift |
|---|---|
| 3 to 4 years | 32% |
| 4 to 5 years | 24% |
| 5 to 6 years | 16% |
| 6 to 7 years | 8% |
| 7 or more | 0% |

### MITIGATING INHERITANCE TAX THROUGH INSURANCE

Securing against potential IHT liabilities can be achieved effectively through insurance, especially for assets that are not easily transferred into trusts or gifted, such as real estate. Opting for a 'whole of life' assurance policy can serve as a strategic approach, ensuring a predetermined sum is available to settle any IHT due upon death.

Notably, if these premiums are financed using surplus income or within the £3,000 annual gift exemption, they evade classification as chargeable lifetime transfers. The policy must be placed in an appropriate trust to ensure the proceeds do not augment the value of the estate and thus remain outside the scope of IHT.

### STRATEGIC INVESTMENT IN BUSINESS RELIEF

In addition to insurance, investing in assets eligible for Business Relief (BR) presents a viable method for reducing IHT liability. Such assets once held within an IHT portfolio for a minimum of two years—and assuming ownership at the time of death—are subject to 0% tax. This encompasses a range of unlisted companies and certain AIM-listed stocks.

While this strategy introduces a greater degree of investment risk compared to other avenues, it offers the distinct advantage of retaining access to your capital without the necessity to survive an additional seven years, as is typically required. However, it is essential to acknowledge that this form of investment, predominantly in small capitalisation equities, is considered high risk due to the inherent volatility and uncertainty of growth, making it a long-term commitment.

### IMPORTANCE OF PROFESSIONAL GUIDANCE

Given the speculative nature of investments focused on small capitalisation and AIM-listed stocks, potential investors should proceed with caution. The possibility of substantial fluctuations underscores the need for such investments to be viewed with a long-term perspective. Furthermore, the regulatory landscape governing IHT and the tax treatment of specific investment vehicles, like AIM shares, could evolve, potentially affecting their suitability as part of an IHT mitigation strategy.

Therefore, obtaining professional financial advice is indispensable. Tailoring financial strategies to individual circumstances and maximising the efficacy of available tax reliefs demands a comprehensive understanding of current regulations and personal financial objectives. Efficiently managing your estate to mitigate IHT liabilities requires careful planning and a thorough knowledge of the available allowances and exemptions. ◀

**ARE YOU LOOKING FOR TAILORED ADVICE TO SECURE YOUR LEGACY?**

If you require further information or wish to discuss tailored estate planning solutions, we are ready to provide you with the guidance and support needed to navigate the complexities of Inheritance Tax planning. Contact us today to secure your legacy for tomorrow.

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THE FINANCIAL CONDUCT AUTHORITY DOESN'T REGULATE TRUST PLANNING AND MOST FORMS OF INHERITANCE TAX (IHT) PLANNING. SOME IHT PLANNING SOLUTIONS PUT YOUR MONEY AT RISK, AND YOU MAY GET BACK LESS THAN YOU INVESTED. IHT THRESHOLDS DEPEND ON INDIVIDUAL CIRCUMSTANCES AND THE LAW. TAX AND IHT RULES MAY CHANGE IN THE FUTURE.

THE VALUE OF YOUR INVESTMENTS CAN GO DOWN AS WELL AS UP, AND YOU COULD GET BACK LESS THAN YOU INVESTED.

# RISING TREND OF **UNRETIREMENT**

## 14% OF THOSE AGED OVER 55 HAVE FOUND THEMSELVES RE-ENTERING THE WORKFORCE

**In recent times, a significant portion of retirees,** specifically 14% of those aged over 55, have found themselves re-entering the workforce, driven by the inadequacy of their pensions to meet rising living costs, according to new research[1].

**This phenomenon,** further compounded by an additional 4% contemplating a return to employment, highlights a growing trend among older generations striving to sustain their standard of living in retirement. Notably, this trend is more prevalent among men, with 16% returning to work compared to 12% of women.

### FINANCIAL PRESSURES AND LIFESTYLE ASPIRATIONS

A closer examination reveals that financial constraints are the primary motivator for this shift, with nearly two-thirds (64%) of those who have 'unretired' citing income issues as the key factor. An alarming 32% reported that their living expenses had escalated beyond expectations, necessitating a return to employment.

Additionally, 24% acknowledged that their pension was insufficient for a comfortable livelihood. Interestingly, a sizeable group (31%) expressed a desire to enhance their retirement income to afford luxuries, illustrating a blend of necessity and aspiration driving the unretirement wave.

### ADJUSTMENTS IN RETIREMENT PLANNING

This trend coincides with the Pensions and Lifetime Savings Association's (PLSA) recent adjustment to the anticipated retirement income, marking a 34% increase in the projected annual income required for a moderate lifestyle.

This adjustment, from £23,300 to £31,300, reflects rising costs in essential areas such as food, energy and transportation, alongside an additional allocation for assisting family members facing financial hardship. Such recalibrations underscore retirees' evolving challenges, prompting many to reevaluate their retirement and financial strategies.

### BEYOND FINANCIAL MOTIVATIONS

However, financial necessity is not the sole driver behind the decision to return to work post-retirement. A considerable number of retirees are motivated by the desire to alleviate feelings of boredom (39%), loneliness (19%) and dissatisfaction (15%).

These emotional factors and the financial pressures exerted by the current economic climate are compelling retirees to reconsider their retirement plans. In response, more than one in ten (12%) are postponing retirement, while 3% are taking on additional employment to bolster their income.

### ENHANCING RETIREMENT SAVINGS THROUGH EMPLOYER SCHEMES

Ensuring you fully utilise your employer's pension plan is a key strategy in preparing for retirement. If your employer offers a matching scheme for pension contributions, it's wise to contribute the maximum amount they are willing to match. This effectively doubles your investment towards your retirement savings, leveraging your employer's contribution to enhance the growth of your pension pot.

Moreover, if you're anticipating a bonus, allocating a portion or the entirety to your pension can be a tax-efficient move. This boosts your pension savings and reduces your immediate tax and National Insurance contributions, allowing you to retain a more significant share of your earnings over the long term.

### CAPITALISING ON FINANCIAL MILESTONES

The path to a substantial pension pot is paved with strategic decisions at key financial milestones. Consider upping your pension contributions when experiencing a pay increase, benefiting from a tax reduction or finding yourself with surplus savings.

Adjusting your contributions in line with positive changes in your financial situation can make the increase feel less impactful on your disposable income while significantly boosting your pension in the long run. This approach is particularly beneficial for younger savers, for whom even small increases in contributions can compound into a considerable sum by retirement.

### TAX BENEFITS AND STRATEGIC SAVING

A deeper understanding of the tax implications of pension contributions can lead to more efficient saving strategies. Directing parts of your income or bonuses into your pension plan can reduce your taxable income, which can lead to immediate tax benefits.

This strategy decreases your tax liability and secures a more significant portion of your earnings for retirement. The underlying principle is straightforward: save more now, pay less tax today and accumulate a larger retirement fund for the future. ◀

### ARE YOU LOOKING TO OPTIMISE YOUR RETIREMENT PLANNING?

Additional information and tailored professional financial advice are invaluable for those looking to navigate the intricacies of pension contributions and optimise their retirement planning. To delve deeper into maximising your pension potential, please get in touch with us for expert advice customised to meet your unique needs.

**Source data:**

[1] Boxclever conducted research for Standard Life among 6,350 UK adults. Fieldwork was conducted 26 July–9 August 2023. Data was weighted post-fieldwork to ensure the data remained nationally representative on key demographics.

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# UNDERSTANDING **PENSION UNCERTAINTIES**

## SURVEY HIGHLIGHTS PREVAILING UNCERTAINTY AMONG THOSE ON THE CUSP OF RETIREMENT

**A recent study reveals that a considerable proportion of UK adults,** including a significant number nearing retirement, find themselves in a quandary regarding their State Pension entitlements and the commencement of their payments[1].

**The research underscores** that 31% of Generation X individuals (ages 42-57) are in two minds about their retirement timing, in stark contrast to 19% of Baby Boomers and the older cohort (58 years and above). Moreover, a notable 24% of UK adults confess to being unsure about their retirement timing, with 27% of women feeling less confident compared to 21% of men.

This prevailing uncertainty among those on the cusp of retirement concerning their retirement timing, requisite finances and the possibility of semi-retirement is alarming. There appears to be a pronounced generational gap, likely attributed to the phasing out of Defined Benefit (DB) schemes – offering a guaranteed lifetime income based on salary – and the surge in Defined Contribution (DC) schemes, buoyed by auto-enrolment over the past decade. While providing greater flexibility in accessing funds, DC schemes impose a more significant requirement on individuals to ensure adequate savings for their retirement.

### LONGEVITY OF SAVINGS AND THE DESIRED LIFESTYLE

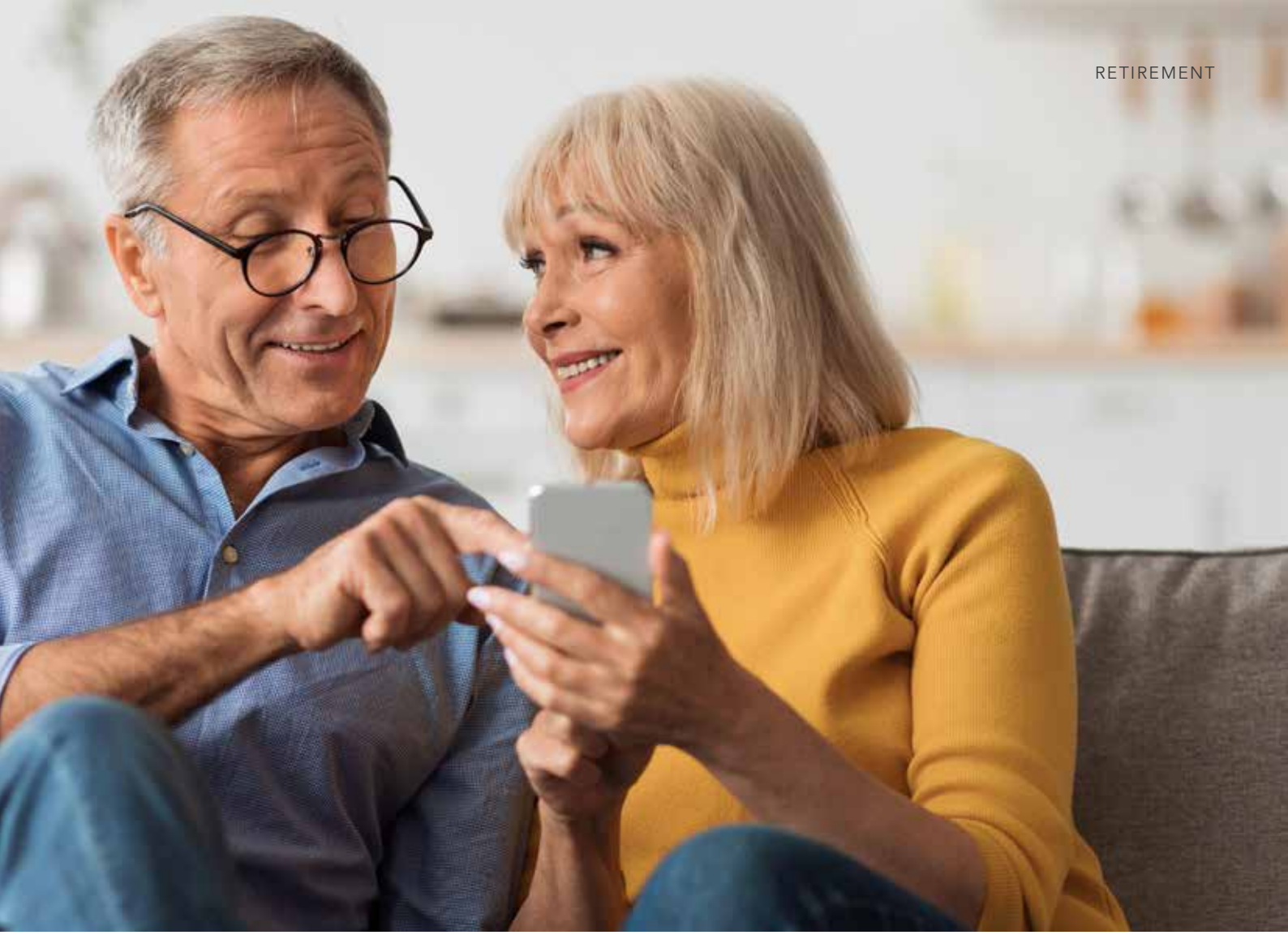
Recent economic conditions, including two years of heightened inflation and rising interest rates, have made planning for retirement more challenging for many. These conditions have shifted focus to more immediate financial concerns. However, by breaking down the retirement planning process into manageable segments, individuals can approach decision-making with greater ease and assurance. Essential considerations include the longevity of savings and the desired lifestyle in retirement.

When contemplating retirement, determining the appropriate age to cease working is pivotal. This includes understanding when one becomes eligible for the State Pension, as it constitutes a significant component of most retirement strategies. It is also crucial to ensure that personal pension plans reflect the intended retirement age, as this can influence investment decisions as one approaches retirement.

Additionally, with the minimum age for accessing pension funds set to increase from 55 to 57 in 2028, considering the implications for retirement planning is essential. The prospect of retirement brings with it considerations of daily life post-work, including how to maintain social connections and stay active, with many employers and pension providers offering preparatory schemes.

### NAVIGATING YOUR PENSION OPTIONS FOR RETIREMENT

As retirement looms on the horizon, it becomes imperative to explore how best to utilise your pension savings. The flexibility of options – whether withdrawing lump sums, maintaining investments for flexible access or opting for a lifetime guaranteed income – requires careful consideration. Ensuring your pension scheme supports your preferred route is crucial; if not, it may be beneficial to compare alternatives.



Finding a plan that aligns with your objectives could put you within reach of a more favourable retirement income.

**FORECASTING YOUR RETIREMENT FINANCIAL REQUIREMENTS**

Accurately projecting the annual income necessary to sustain your desired retirement lifestyle is a foundational step in planning. This projection must account for lifestyle aspirations, debt obligations and any dependents you anticipate supporting financially through retirement. This foresight plays a pivotal role in assessing the adequacy of your current savings and pension pot in meeting these future needs.

**FINANCIAL READINESS FOR YOUR RETIREMENT**

With a clear understanding of your lifestyle goals and required income, the next step involves evaluating whether your savings are sufficient. Given that the State Pension may contribute up to £11,502.40, which commenced this April, a gap exists for those aiming for a 'moderate' lifestyle, necessitating an additional annual income. This shortfall underscores the importance of considering all sources of retirement income, including personal and workplace pensions, ISAs, other investments, and potential earnings from part-time work or property rentals.

**REUNITING YOU WITH FORGOTTEN PENSION POTS**

The journey through different employment phases often results in misplaced or forgotten pension pots, which, when reclaimed, can significantly augment your retirement savings. Actively seeking out and consolidating these pensions can offer a clearer view of your financial standing. However, the decision to transfer pensions requires thorough deliberation and professional financial advice to navigate potential risks and ensure the choice aligns with your best interests. ◀

**DO YOU WANT TO DISCUSS SECURING YOUR PATH TOWARDS A STABLE AND REWARDING RETIREMENT?**

For those in need of further insights or assistance in navigating the complexities of retirement planning, seeking expert professional advice is essential. Whether it's strategising income options, projecting financial needs, evaluating savings sufficiency or considering pension consolidation, professional guidance will demystify the process and empower you with informed decisions. Contact us today to secure your path towards a stable and rewarding retirement.

**Source data**

[1] Boxclever conducted research among 6,350 UK adults for Standard Life. Fieldwork was conducted 26 July–9 August 2023. Data was weighted post-fieldwork to ensure the data remained nationally representative on key demographics.

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# GENERATIONAL **WEALTH PERSPECTIVES**

## WHETHER THROUGH PROPERTY, PENSIONS OR A BLEND OF BOTH, INFORMED DECISION-MAKING IS CRUCIAL

**A recent study suggests that a substantial proportion of Generation Z,** born from 1996 to 2010, view property acquisition as their principal avenue to amass wealth for their retirement years [1]. This perspective is slightly more prevalent within this demographic than the reliance on pensions, with 33% of Gen Z individuals planning to utilise property as a retirement fund compared to 30% who favour pensions.

**This inclination contrasts** markedly with preceding generations; notably, Baby Boomers show a stronger preference for pensions (42%) over property (18%), and a similar trend is observed among Millennials, with a more significant number leaning towards pensions (36%) over property (22%).

### EVOLVING FINANCIAL STRATEGIES

Moreover, the way different age groups perceive their home's financial role varies significantly. A notable 35% of Gen Z individuals regard their home as a wealth source accessible in times of need, especially during retirement – a view less commonly held by Millennials and Generation X (24%) and Baby Boomers (20%).

Despite the young adult population's intent to lean on property for retirement income, the feasibility of such plans remains questionable, given today's challenging housing and mortgage landscape. Only a minimal fraction of Gen Z (10%) currently holds a mortgage, and there is growing concern about the prospect of bearing mortgage costs into retirement.

### HOUSING MARKET REALITIES

Based on current forecasts, the research anticipates that over 13 million individuals could face continued rental or mortgage expenses into their retirement years [2]. This insight into the prevailing preference for pensions among those nearing retirement age sheds light on the typical choices made regarding retirement income.

While each approach – property versus pension – has its merits, the younger generation's focus on property is understandable, considering the hurdles in accessing the housing market.

### DIVERSIFICATION AND SECURITY

Nonetheless, relying solely on one asset for retirement is fraught with risk. It is advisable to achieve a diversified investment portfolio encompassing various funding options alongside the critical inclusion of pensions and easily accessible savings for emergencies.

Pensions offer several benefits, including tax relief on contributions and employer contributions for those enrolled in workplace pension schemes, potentially coupled with investment growth. However, limitations exist, such as the inability to access pension savings until reaching the minimum pension age, which is set to increase from 55 to 57 by 2028.

### PROPERTY AS A RETIREMENT STRATEGY

On the property front, options include selling before reaching the minimum pension age. However, for many, their property doubles as their home, necessitating downsizing, relocating or exploring equity release to tap into their home's value.

While equity release might offer a solution for individuals without alternative assets, seeking professional financial advice to ensure it aligns with personal circumstances and financial goals is imperative. ◀

**READY TO DISCUSS MAKING AN INFORMED DECISION-MAKING ABOUT YOUR RETIREMENT PLANS?**

For those navigating the complexities of planning for retirement, whether through property, pensions or a blend of both, informed decision-making is crucial. Please get in touch with us for professional financial advice if you require additional information or guidance tailored to your unique situation.

**Source data:**

[1] Boxclever conducted research among 6,350 UK adults for Standard Life. Fieldwork was conducted 26 July–9 August 2023. Data was weighted post-fieldwork to ensure the data remained nationally representative on key demographics.

[2] The Longer Lives Index https://www.thephoenixgroup.com/phoenix-insights/longer-lives-index/

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# TROUBLING TREND AMONGST **UK WORKERS**

## PREVAILING ISSUE OF PRESENTEEISM HIGHLIGHTS A NEED FOR A TRANSFORMATION IN WORKPLACE CULTURE

**In an era where the lines between work and personal life are increasingly blurred,** a new study sheds light on a concerning trend among UK employees. Despite advancements in workplace policies and a growing emphasis on mental health and wellbeing, a significant number of workers are still pushing themselves to work even when they are not in full health.

**The implications of this study** are manifold, touching on aspects of corporate responsibility, employee welfare and broader societal norms regarding work ethic and productivity. The research conducted over the past two years has identified that a staggering 68%, equating to 21.7 million individuals within the UK workforce, have chosen to persevere through illness and continue working[1].

Various factors primarily influence this decision, with a significant 25% indicating that an overwhelming workload has deterred them from taking much-needed sick leave[2]. Furthermore, a close 23% express a sense of indispensability, feeling that the reliance placed upon them by others makes it challenging to step away from work responsibilities.

### BURDEN OF EXPECTATIONS AND JOB SECURITY

An additional 22% of workers are hesitant to take time off, fearing the extra strain it may place on their colleagues. Meanwhile, the flexibility of remote work has led 17% to feel obligated to work through sickness from the comfort of their homes.

The workplace environment further complicates matters, with 13% feeling pressured by peers or superiors to avoid taking sick leave, and 9% are concerned about the stability of their employment if they were to take time off due to illness.

### FINANCIAL WORRIES AND THE STIGMA OF SICK LEAVE

The financial implications of taking sick leave have also emerged as a significant deterrent, with 18% of workers admitting to working while unwell due to financial concerns within the last two years.

Additionally, 10% abstain from taking sick leave, driven by fears of unpaid leave. This culture of presenteeism is exacerbated by nearly one in ten workers who, upon calling in sick, face scrutiny or disbelief from their managers regarding the legitimacy of their illness.

### ESSENTIAL ROLE OF EMPLOYERS IN PROMOTING WELLBEING

This prevailing issue of presenteeism highlights a critical need for a transformation in workplace culture that prioritises employees' health and wellbeing and encourages them to take necessary time off without fear of repercussion or judgment.

Employers must recognise the impact of an uncertain economic climate on their employees' mental health and job security fears. Creating an environment where employees feel supported in prioritising their health is crucial, as is educating both employees and employers on the importance of sick leave for overall productivity and wellbeing.◀

**NEED HELP TO BALANCE YOUR HEALTH WITH WORK COMMITMENTS?**

If you find yourself struggling to balance your health with work commitments, or if your organisation is striving to create a more supportive environment for employee wellbeing, it's essential to seek further guidance. We are available to assist in dealing with these challenges. Please don't hesitate to contact us.

**Source data:**

[1] Survey conducted by Opinium for Canada Life among a national representation sample of 2000 UK adults between 10 - 14 November 2023

[2] Respondents were able to select more than one option.

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> **"THE FINANCIAL IMPLICATIONS OF TAKING SICK LEAVE HAVE ALSO EMERGED AS A SIGNIFICANT DETERRENT, WITH 18% OF WORKERS ADMITTING TO WORKING WHILE UNWELL DUE TO FINANCIAL CONCERNS WITHIN THE LAST TWO YEARS."**

# NEW PENSION **TAX FRAMEWORK**

## PIVOTAL SHIFT CHANGES YOU NEED TO KNOW COMMENCED FROM 6 APRIL 2024

**Beginning on 6 April 2024,** a pivotal shift in pension benefit taxation commenced. The Lifetime Allowance (LTA) was replaced by a new structure comprising three distinct allowances: the Lump Sum Allowance (LSA), Lump Sum and Death Benefit Allowance (LSDBA), and Overseas Transfer Allowance (OTA).

**The implications of these changes** will largely depend on individual circumstances, such as the aggregate value of one's pension savings, any prior withdrawals from pension schemes and existing lifetime allowance protections.

### DELVING INTO THE LUMP SUM ALLOWANCE

The introduction of the Lump Sum Allowance (LSA) aims to cap the tax-free sums that can be withdrawn from pension schemes. Set at a baseline of £268,275, this allowance may adjust based on factors including previous pension withdrawals or the presence of Lifetime Allowance protections or protected tax free cash allowances. From 6 April 2024 onwards, tax free lump sums taken will be deducted from the individual's LSA.

The LSA applies to both the Pension Commencement Lump Sum (PCLS) and the tax-exempt portion of any Uncrystallised Funds Pension Lump Sum (UFPLS), with these withdrawals also being assessed against the available Lump Sum and Death Benefit Allowance (LSDBA). Typically, the maximum tax-free lump sum accessible will be determined by the lowest of 25% of the benefits being accessed, the LSA and the LSDBA.

### EXPLORING THE LUMP SUM AND DEATH BENEFIT ALLOWANCE

The Lump Sum and Death Benefit Allowance (LSDBA) further restricts the tax-free lump sums withdrawable from pensions and those payable to beneficiaries upon the policyholder's demise pre age 75. This allowance does not apply to benefits already in drawdown before 6 April 2024. Initially set at £1,073,100, the LSDBA may vary depending on previously taken pension benefits or existing lifetime allowance protections. The LSDBA covers the exact lump sums as the LSA but additionally applies to serious ill-health lump sums disbursed before age 75 and lump sum death benefits if the policyholder passes away before reaching age 75.

Posthumous benefits are only subject to the LSDBA when paid out as tax-free lump sums. Conversely, suppose benefits are allocated to provide a beneficiary with a drawdown pension. In that case, they are exempt from being tested against these allowances, with income typically remaining tax-free if the policyholder dies before age 75, however lump sums will be tested. Despite previous suggestions, these provisions will remain unchanged from 6 April 2024 as per the current legislation.

### NAVIGATING THE NEW OVERSEAS TRANSFER ALLOWANCE

The introduction of the Overseas Transfer Allowance (OTA) marks a pivotal change in the landscape of overseas pension transfers. From 6 April 2024, individuals looking to move their pensions to a Qualifying Recognised Overseas Pension Scheme (QROPS) will find their transfers assessed against the OTA, a departure from the previous system that utilised the Lifetime Allowance.

The OTA is set to mirror an individual's Lump Sum and Death Benefit Allowance (LSDBA), with a key distinction: reductions to the OTA will only occur through the actual value transferred to QROPS, not by any tax-free lump sums withdrawn post-6 April 2024. Transfers that exceed the OTA threshold will incur a 25% Overseas Transfer Charge.

### ADJUSTMENTS FOR PREVIOUS PENSION WITHDRAWALS

Individuals who began drawing down their pensions before 6 April 2024 will see an adjustment to their available allowances. For those who accessed benefits before 6 April 2006 without subsequent withdrawals amongst others, the calculation of new allowances will hinge on the annual income being drawn or entitled.

By contrast, pensions accessed after 6 April 2006 and evaluated against the Lifetime Allowance will see a reduction in available allowances. Specifically, the Lump Sum Allowance (LSA) and LSDBA will decrease by 25% of the total lifetime allowance utilised, with exceptions made for certain circumstances such as receipt of a serious ill-health lump sum before age 75 or disbursement of lump sum death benefits before 6 April 2024.

### TRANSITIONAL CERTIFICATES AND AGE CONSIDERATIONS

Individuals may be eligible for a transitional tax-free certificate in specific scenarios, particularly where the maximum tax-free cash was not taken despite utilising the lifetime allowance. This certificate, likely relevant to those with final salary pensions or annuities without tax-free cash withdrawals, will delineate the adjustments needed for allowances based on received lump sums.

Furthermore, the significance of turning 75 shifts under these new rules. For those who reached age 75 on or after 6 April 2024, pension benefits will be tested against allowances only when taking a tax-free lump sum or making an overseas transfer, a change from the previous necessity of testing against the Lifetime Allowance.

### SECURING LIFETIME ALLOWANCE PROTECTIONS

For those who meet the prerequisites, opportunities still exist to apply for Fixed Protection 2016 and Individual Protection 2016 until 5 April 2025. These protections safeguard individuals' pensions against potential tax implications by potentially enhancing allowances. This provision underscores the importance of timely action and consultation to ensure eligibility and application within the stipulated deadlines.

Professional financial advice is invaluable for those seeking additional information or clarity on how these changes might affect their pension planning or requiring guidance on applying for protections. ◀

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**ARE YOU LOOKING FOR PROFESSIONAL ADVICE TO ASSIST YOU WITH YOUR RETIREMENT PLANS?**

Please get in touch with us if you need to navigate these complexities or simply wish to explore how our financial planning services can assist you with your retirement plan. We are equipped to provide the insight and support needed to make informed decisions about your pension and financial future.

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# UNVEILING THE CORE **PRINCIPLES OF INVESTING**

## TIMELESS BEACONS GUIDE INVESTORS THROUGH PERIODS OF MARKET VOLATILITY TOWARDS FINANCIAL PROSPERITY

**In finance, the core investing principles stand as timeless beacons,** guiding investors through periods of market volatility towards financial prosperity. These principles, distilled from the wisdom of centuries and the hard-won experience of investment titans, serve not merely as strategies but as foundational truths that underpin the very art and science of investing.

**As we peel back the layers,** we explore the core principles of investing, the bedrock upon which the edifice of enduring wealth is built, and discover how these timeless truths can empower your financial journey.

### DIVERSIFICATION CAN CREATE STABILITY

Diversification remains your paramount investment strategy. By spreading your investments across various asset classes, you can mitigate risk and lessen the impact of any single investment's underperformance on your overall portfolio. This approach is akin to not placing all your eggs in one basket, ensuring that you're safeguarded against market volatility.

### VIRTUE OF PATIENCE

Moreover, the duration in the market, rather than timing the market, holds significance. Numerous investors attempt to outmanoeuvre the market by predicting its peaks and troughs, an approach frequently resulting in missed opportunities. Economic commentators often suggest that patience yields dividends, with long-term investors benefiting from the advantages of compounded growth.

### PERSPECTIVE IS EVERYTHING

Someone's portfolio may appear more successful than yours. It's crucial to understand that investing is not a competition. Success should be gauged against your own financial objectives, not by comparing your portfolio to another's. Concentrate on your goals and avoid making impulsive decisions based on comparisons.

### CYCLICAL NATURE OF MARKETS

Markets experience cycles of ascent and descent, yet historically, they have trended upward over the long term. Acknowledging these fluctuations as part of the investment journey can help you maintain composure during downturns and stay committed to your long-term strategy.

### CONTROL WHAT YOU CAN

Given markets' unpredictability, it's wise to focus on aspects within your control. This

encompasses your investment selections, the volume of your investments and the costs associated with your strategy. Concerning oneself with the market's next move is less productive than developing a sturdy investment plan.

**RESPONSE TO YOUR REACTION**

The essence lies not in the market's actions but in your response. Emotional reactions can disrupt the most meticulously planned investment strategies. Upholding discipline and sticking to your plan, irrespective of market conditions, is crucial for achieving long-term success.

**DIMINISHING IMPACT OF VOLATILITY**

Volatility's impact lessens with the length of your investment. While markets may exhibit turbulence in the short term, the effects of volatility tend to diminish over a longer period. Adopting a long-term perspective is essential for navigating the fluctuations inherent in the investment process.

**PERILS OF OVER-CHECKING**

Frequent portfolio reviews can exacerbate the perception of volatility. Constant monitoring may amplify risk perception and provoke impulsive decisions. Finding a balance between being well-informed and obsessing over short-term performance is vital.

**UNDERSTANDING INVESTMENT RISK**

Risk management, rather than risk avoidance, is key. A reasonable approach to risk can yield significant returns. Effective risk management involves recognising your loss tolerance and tailoring your portfolio accordingly, as opposed to entirely evading risk.

**SEEING BEYOND THE HEADLINES**

Headlines tend to focus on the sensational, the immediate and the negative – all of which should be irrelevant to investors. Getting ensnared in the noise is easy, but maintaining focus on your long-term investment objectives is paramount. It's essential to differentiate between ephemeral trends and the fundamental drivers of long-term returns. ◀

**READY TO DISCUSS YOUR UNIQUE FINANCIAL GOALS AND CIRCUMSTANCES?**

Please get in touch with us if you are seeking further information or guidance on confidently navigating your investment journey. We are on hand to provide personalised advice tailored to your unique financial goals and circumstances. Additionally, we are dedicated to helping you achieve your investment objectives and secure your financial future.

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**"MARKETS EXPERIENCE CYCLES OF ASCENT AND DESCENT, YET HISTORICALLY, THEY HAVE TRENDED UPWARD OVER THE LONG TERM."**

# OVERCOMING **THE GENDER INVESTMENT DISPARITY**

## CRITICAL INSIGHTS TO EMPOWER WOMEN TO TAKE THE REINS OF THEIR FINANCIAL DESTINIES

**A recent study has spotlighted women and investing,** offering critical insights that aim to empower women to take the reins of their financial destinies and forge paths toward a prosperous future. Notably, an impressive majority of women (68%) engage in investment activities at least once a month, with over two-fifths (42%) diligently monitoring their savings and investments via online platforms or apps at least once weekly[1].

**This proactive stance** leads to nearly one in five (19%) women having a precise understanding of the value of their investments at any given time. However, the distribution of investment vehicles among women reveals a tendency towards traditional savings accounts (61%) and Cash ISAs (35%), with a notably smaller segment (17%) opting for Stocks & Shares ISAs, in stark contrast to 30% of men.

### PREFERENCES AND BARRIERS IN WOMEN'S INVESTMENT CHOICES

When it comes to selecting a savings or investment product, an equal number of women (37%) value 'easy access to funds' and the protection offered by the Financial Services Compensation Scheme (FSCS) above other factors. Additionally, 'low or reasonable fees' are paramount for nearly one in four (23%), while digital accessibility is deemed essential by almost one in five (19%).

Alarmingly, a substantial proportion of women (37%) report not investing at all, a figure that exceeds that of men (24%). The reasons cited for this abstention are diverse, with the most common being a lack of disposable income for investment purposes (45%), followed by concerns over high risk (18%), complexity (10%) and liquidity (9%). These findings underscore an urgent need for bespoke financial education and empowerment initiatives for women.

### WOMEN TAKE A BALANCED APPROACH TO INVESTMENT

The study further reveals a commendable balanced approach to investment risk among women, with a significant majority (85%) describing their investment strategy as either medium (35%) or low (50%) risk. This cautious yet strategic approach is laudable, especially in light of evidence suggesting that female investors often outperform their male counterparts over the long term, thanks to a patient and disciplined investment style.

In an age where financial independence is a coveted goal for many, it becomes crucial to address and surmount the unique obstacles that women may encounter in the investment landscape.

### CULTIVATING FINANCIAL LITERACY

The journey towards becoming an adept investor commences with the acquisition of a solid grounding in financial literacy. This foundational step involves understanding diverse investment concepts, terminologies and strategies, thereby enabling one to make well-informed decisions.

### ESTABLISHING CLEAR FINANCIAL OBJECTIVES

Articulating your immediate and long-term financial aspirations is paramount. These objectives not only direct your investment strategy but also keep you concentrated on your ultimate financial targets. The decision to save or invest is pivotal; while savings offer security, their value may diminish due to inflation. On the other hand, investments seek to grow your wealth, though they come with the risk of potential loss.

### SIGNIFICANCE OF AN EMERGENCY FUND

Before embarking on investment ventures, setting up an emergency fund is wise. This acts as a financial buffer for unexpected expenses, ensuring that you are not forced to liquidate investments during unforeseen circumstances. How much you put aside will depend on your circumstances. If you have three to six months' worth of essential outgoings in your account to fall back on, this will give you a financial buffer if you need it.

### EMBRACING DIVERSIFICATION

A critical investment principle is diversification – the practice of spreading investments across various assets, funds and tax-efficient vehicles. This strategy aims to mitigate risk and foster long-term wealth growth. Interestingly, the research indicates that only 7% of women engage in diversified investing compared to 18% of men, highlighting the need for greater awareness and participation among female investors.

### STAYING INFORMED AND ADAPTABLE

An informed investor keeps abreast of local and international market trends and emerging opportunities that could influence investment decisions. Regular portfolio reviews are crucial to ensure your portfolio remains aligned with your financial goals and risk tolerance. Adjustments may be necessary in response to personal financial changes or shifts in the market landscape.

### RISK TOLERANCE AND INVESTMENT STRATEGY

Understanding your risk tolerance is essential for creating an investment portfolio that reflects your comfort level with risk, balancing it against the potential for returns. It's important to remember that investments can fluctuate, resulting in both gains and losses. ◀

**DO YOU NEED SUPPORT AND ADVICE TO NAVIGATE THE COMPLEXITIES OF THE INVESTMENT LANDSCAPE?**

We're here to assist if you are seeking more detailed guidance or looking to deepen your investment knowledge. We'll provide tailored advice, equipping you with the tools and insights necessary to navigate the complexities of the investment landscape. Contact us to discover how we can help you achieve your financial goals and maximise your investment potential.

**Source date:**

[1] Research conducted by Censuswide between 10th – 12th January 2024 of 2003 general consumers, aged 16+, national representative sample. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.

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# MIND **OVER MATTER**

## HOW BEHAVIOURAL INVESTING CAN SHAPE FINANCIAL FUTURES

**In the world of investing, where numbers and market analyses typically dominate,** a crucial element often remains veiled in the backdrop – our behaviour. Behavioural investing emerges as a pivotal field, merging the realms of finance and psychology to scrutinise how our emotions, cognitive biases, backgrounds and worldviews intricately influence our investment decisions. It ventures into the less discussed but significant spectrum of how our psychological makeup can mould our financial futures, for better or for worse.

**This discipline challenges the conventional notion** that investors act solely on rational deliberations. Instead, it posits that psychological factors can precipitate predictable patterns of financial behaviour and biases. These inclinations can profoundly affect the outcomes of our investments, nudging us away from judicious, well-informed choices towards decisions that are more emotionally charged and, at times, harmful.

### PSYCHOLOGICAL FOUNDATIONS OF INVESTMENT DECISIONS

The role of our subconscious is monumental, swayed by an array of elements such as familial upbringing, personal experiences and societal narratives. This profoundly influences our perceptions of risk, reward and security. For example, an individual raised in a financially unstable environment might develop a risk aversion, steering clear of potentially volatile investments that promise higher returns over time.

On the contrary, someone accustomed to financial security might display overconfidence in their investment choices, possibly neglecting the essentials of due diligence and risk management.

### EMOTIONAL DRIVERS AND SHORT-TERM VIEWS

Emotions can significantly derail investment decisions. The potent forces of fear and greed can obscure rational judgement, prompting investors to make hasty sales during market lows out of panic or engage in buying sprees at market highs, spurred by the fear of missing out (FOMO).

Similarly, a short-term outlook might lead to impulsive reactions to market dips and rises, thwarting the advantages of a steadfast, long-term investment approach. These emotional reactions and myopic strategies can significantly diminish the value of investment portfolios over time.

### POWER OF NARRATIVES

Our innate affinity for stories often transcends into the investment domain, where enticing narratives about a company or technology may eclipse solid fundamentals. Investors might find themselves heavily invested in portfolios rich with 'good stories' rather than a diversified mix of robust investments.

This propensity for narrative-driven investment can subject individuals to more significant risks and foregone opportunities for consistent, long-term appreciation.

### MITIGATING BEHAVIOURAL BIASES

Addressing and mitigating these behavioural biases is paramount for achieving superior investment outcomes. Awareness and understanding of one's own psychological predispositions can empower investors to adopt strategies that counteract these biases.

By fostering a disciplined investment approach, prioritising long-term goals over short-term fluctuations, and embracing diversification,

investors can navigate the psychological pitfalls that often beset the path to financial success.

**IMPROVED INVESTMENT SUCCESS**

When aiming for superior investment returns, the critical role of recognising and counteracting behavioural biases must be balanced. Practical strategies to combat these biases are paramount. Chief among these is the principle of diversification, which involves spreading investments across a variety of asset classes to minimise risk and soften the blow of any individual investment's performance on the entire portfolio.

Equally important is the strategy of long-term planning. By maintaining a long-term view, investors can better weather market volatility and reap the rewards of compound returns over time.

**FOSTERING EMOTIONAL DISCIPLINE AND KNOWLEDGE**

Cultivating emotional discipline is another cornerstone in overcoming behavioural biases. The ability to stay serene and adhere to an established investment plan through the market's highs and lows can avert the pitfalls of decision-making based on emotions, which often result in substantial financial losses.

Moreover, enhancing one's education and awareness about prevalent behavioural biases and making a concerted effort to identify and address them in personal decision-making can lead to more informed investment choices.

**SIGNIFICANCE OF BEHAVIOURAL INSIGHTS**

Behavioural investing provides crucial insights into the psychological elements that frequently go unnoticed in financial decision-making. By confronting and managing our biases, we are better equipped to make disciplined, objective investment decisions, thereby improving our financial outcomes.

Embarking on the path to becoming a more enlightened and rational investor requires an understanding of market mechanisms and a deep introspection into our own behavioural inclinations. ◀

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**WANT TO DISCUSS HOW TO NAVIGATE THE COMPLEXITIES OF INVESTING?**

If you require more information or wish to enhance your understanding of the psychological dimensions of investing, please get in touch with us. We can help you navigate the complexities of investing, ensuring that your decisions are grounded in financial acumen and psychological insight.

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# STRATEGIC REINVESTMENT OF **STATE PENSION INCREASES**

## WHEN TRANSFERRING INTO A PERSONAL PENSION MAY MAKE SENSE

**Following the 8.5% rise in the annual State Pension from 6 April,** the redirection of this enhanced income into private pension savings could make sense under certain conditions. The idea of investing one's State Pension into a personal or Self-Invested Personal Pension (SIPP) might seem at odds with conventional wisdom.

**Given its foundational role** in providing retirement income and ensuring the financial stability of numerous retirees, diverting funds in this manner could initially appear to be misguided. Yet, there are distinct scenarios where such an investment could provide significant tax benefits, particularly for those who have attained State Pension age but continue to generate additional income.

### CONTINUED EMPLOYMENT'S IMPACT ON RETIREMENT PLANNING

Upon reaching the age of 66, individuals are entitled to their State Pension, which currently peaks at £11,502.40 annually. While many may have retired by this point, relying on this sum as their primary or supplemental source of income, there is a growing trend of individuals who do not immediately need these funds due to ongoing employment, whether part-time or full-time.

Based on ONS labour market data, recent findings from the Centre for Ageing Better show that more than one in nine people aged 65 and above remain active within the UK workforce – a statistic that has seen a significant increase since the year 2000[1]. For these senior workers, the reinvestment of their State Pension – or a corresponding portion of their wages – into a private pension can be an appealing strategy. This approach allows for the enhancement of their retirement reserves and enables them to maintain a comfortable standard of living on their current earnings.

### NAVIGATING TAX BENEFITS AND CONTRIBUTIONS

The existing regulations allow for contributions of up to 100% of one's earnings or £60,000, whichever is less, into a pension scheme each tax year, with the opportunity to receive tax relief on these amounts. Furthermore, carrying forward any unutilised allowances from the previous three tax years for those whose earnings exceed £60,000 is feasible. This policy remains effective until the age of 75, after which individuals no longer qualify for tax relief on pension contributions.

This method is particularly advantageous for individuals in higher tax brackets as a result of continued employment beyond the State Pension age. By transferring their State Pension into a pension scheme, they can potentially lower their taxable income, thus reducing their tax liability while simultaneously enhancing their future pension reserves.

### LEVERAGING PENSION INVESTMENTS FOR MAXIMUM BENEFIT

The strategy of using one's State Pension in a calculated manner holds multiple advantages, especially for those with surplus income that isn't needed for immediate expenses. Choosing a pension wrapper stands out as the most tax-efficient method of managing your savings. This approach not only guarantees tax relief on the contributions made but also ensures that any investment growth, whether from dividends or capital gains, is not subject to tax.

Furthermore, when ceasing work and beginning to draw from these pension funds, individuals benefit from the possibility of withdrawing up to 25% of the pension pot tax-free. Additionally, any untouched pension assets are not included in the Inheritance Tax (IHT) calculation upon the owner's passing. Consequently, the principle is clear: the more substantial the contributions to your pension, the more beneficial the results.

### UNDERSTANDING THE NUANCES OF LIFETIME ALLOWANCES

Individuals must remain abreast of the changes to the lifetime death benefit allowance, which has implications for pensions exceeding £1,073,100, assuming no protections are in place. The recent

modification in pension regulations has overtaken the prior limit on Lifetime Allowances, which set a cap on savings before a significant tax levy was applied. Although this cap has been abolished, beneficiaries could be subject to a 40% or 45% tax rate (individuals marginal rate of Income Tax) when accessing the pension funds remaining after the pension holder's death as a lump sum. The choice of a financial approach should be tailored to individual circumstances, with some strategies potentially favouring upfront tax payments and making gifts.

**ADJUSTING WORK AND PENSION STRATEGIES POST-RETIREMENT**

The attainment of 55 years of age (increasing to 57 from 2028) offers the liberty to access pension savings, an option that may be enticing during times of employment hiatus or when diminishing working hours for caregiving or health motives. Electing to withdraw only the tax-free portion of the pension permits ongoing annual contributions up to the full allowance into one's pension scheme, subject to earnings, in order to obtain tax relief.

Nonetheless, choosing taxable pension income through a drawdown initiates the money purchase annual allowance (MPAA), considerably curtailing the maximum pension contribution to £10,000 annually or to a figure equivalent to one's annual earnings if it is less. For individuals who continue to work after the MPAA is triggered, utilising income which isn't required could be contributed to a pension to use this reduced allowance.

**CONTRIBUTING TO PENSIONS WITHOUT EARNINGS**

Individuals who receive a State Pension yet fall below the Income Tax personal allowance threshold of £12,570 for the 2024/25 tax year have the opportunity to contribute up to £3,600 gross to a stakeholder pension. These contributions are met with tax relief, augmenting the investment's value without imposing any additional tax burden on the contributor.

This avenue proves advantageous for retirees or those augmenting their income with proceeds from a tax-free ISA. While most individuals at State Pension age may find their ability to contribute capped at £3,600 annually, it is an option worth considering. This is especially beneficial for individuals beyond the State Pension age, as it allows them to amplify the tax advantages on their retirement savings further. ◀

**DO YOU REQUIRE FURTHER INFORMATION OR WISH TO EXPLORE YOUR OPTIONS IN GREATER DETAIL?**

Should you require further information or wish to explore your options in greater detail, please contact us. We're on hand to provide you with the guidance necessary to navigate the complexities of pensions and retirement planning, ensuring you make the most of your financial future.

**Source data:**

[1] https://ageing-better.org.uk/news/almost-one-million-more-workers-aged-65-and-above-millennium-new-analysis-reveals

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# UNIQUE INSIGHT INTO THE CURRENT ATTITUDES TOWARDS **PENSION INVESTMENT**

## PREVAILING CONCERN AMONG SAVERS REGARDING THEIR CAPABILITY TO MAKE INFORMED INVESTMENT DECISIONS

**A comprehensive survey has unveiled a complex picture** of how savers perceive their pension investments. Despite a high level of awareness, with 82% of pension savers acknowledging that their pensions are invested, a mere 26% possess knowledge about the specifics of these investments[1]. This gap in understanding presents a unique insight into the current attitudes towards pension investment among savers.

### QUEST FOR SIMPLICITY AND SECURITY

The survey findings further disclose a prevailing concern among savers regarding their capability to make informed investment decisions. A significant majority, 69%, doubt or accept they do not have the necessary skills to decide on the allocation of their pension scheme's investments.

This has led to a notable preference for simplified investment choices, with 58% desiring limited, straightforward options and another 26% preferring to delegate investment decisions entirely to their scheme. Only 16% wish to retain full autonomy over their investment choices.

### RISK AVERSION AND ENVIRONMENTAL CONSIDERATIONS

Moreover, the survey highlights a strong inclination towards risk aversion among participants, with 69% prioritising the safety of their pension savings above the potential for higher returns.

This cautious approach is coupled with an emerging environmental consciousness, as 44% of respondents consider it crucial for their pension provider to make environmentally friendly investments, irrespective of the financial return.

### SUPPORT FOR LOCAL INVESTMENTS AND TAX INCENTIVES

There is also a clear call from savers for greater encouragement of pension schemes to invest within the UK, with 67% supporting tax incentives for such investments – a figure that rises to 74% among those aged over 55.

Interestingly, while there is a substantial desire for local investment, with 53% expressing a preference for allocating some of their pension to UK companies, there remains a divided opinion on government intervention. Half of the respondents believe that the UK Government should not mandate where pension funds are invested, revealing a nuanced stance towards regulatory involvement in pension investments.

### SIMPLICITY, SECURITY AND SUSTAINABILITY

This survey sheds valuable light on the complex landscape of pension investment preferences in the UK. It underscores a collective yearning for simplicity, security and sustainability in pension investment choices, alongside a cautious but clear interest in bolstering the national economy through targeted investments.

As the dialogue around pension investments continues to evolve, pension providers and policymakers must heed these insights and adapt their strategies accordingly. ◀

**ARE YOU SEEKING FURTHER INFORMATION OR GUIDANCE ON NAVIGATING YOUR PENSION INVESTMENT CHOICES?**

Please get in touch with us if you require further information or guidance on navigating your pension investment choices. We will provide the support and advice you need to make informed decisions about your future.

**Source data:**

[1] Independent research carried out online by Yonder consulting with a nationally representative sample of 773 employees actively saving for a DC workplace pension.

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# EMPLOYEE PREFERENCES IN **WORKPLACE PENSION SELECTION**

## COMPLEX LANDSCAPE OF EMPLOYEE PREFERENCES, CONFIDENCE AND SKILLS

**Recent developments have seen the government introduce a Lifetime Provider model for workplace pensions,** a move that has sparked considerable interest and debate. Findings from a recent survey reveal a striking preference among employees for their employers to take the lead in selecting their workplace pension provider.

**A significant 69% of respondents** favour this approach, with only 31% preferring to make the choice themselves. This preference skews even more strongly among women, with 75% opting for employer selection compared to 63% of men[1]. Furthermore, age plays a critical role in these preferences, with 85% of those aged 55 and above preferring their employer to choose, highlighting a generational divide in attitudes towards pension provision.

### CONFIDENCE AND SKILLS IN PENSION SELECTION

The research also sheds light on employees' confidence levels in selecting a pension provider, with 55% expressing minimal confidence in their ability to choose effectively. This lack of confidence contrasts sharply with the 19% who feel extremely or quite confident in making such decisions. Notably, men are more likely to feel confident (26%) than women (10%), underscoring a gender gap in confidence levels.

When it comes to the skills and knowledge needed to compare and select the right workplace pension scheme, only 37% believe they possess the necessary skills, while 31% feel they do not. This gap in self-assessed proficiency is particularly pronounced between genders and across age groups, with younger savers more likely to express confidence in their abilities.

### IMPORTANCE OF EMPLOYER SUPPORT IN PENSION PROVISION

These findings underscore the critical role that employer support plays in guiding employees towards high-quality pension provision. The data reveals not just a preference for employer-led selection but also highlights significant disparities in confidence and understanding of pension schemes across different demographics.

As the sector explores the implications of the Lifetime Provider model, it's essential to address these disparities to ensure all savers receive the support they need to achieve positive retirement outcomes. This is especially pertinent for those who prefer not to choose their own provider and those who may overestimate their ability to make informed decisions.

### NAVIGATING THE FUTURE OF WORKPLACE PENSIONS

The research highlights the complex landscape of employee preferences, confidence and skills regarding workplace pension selection. As we move forward with the Lifetime Provider model, employers, policymakers and the pensions industry will need to work together to address the needs and concerns of all savers.

Ensuring that employees have access to high-quality pension schemes supported by their employers will be key to delivering positive retirement outcomes for the UK workforce. ◀

> **"THE RESEARCH HIGHLIGHTS THE COMPLEX LANDSCAPE OF EMPLOYEE PREFERENCES, CONFIDENCE, AND SKILLS REGARDING WORKPLACE PENSION SELECTION."**

**NEED FURTHER GUIDANCE ON SELECTING OR MANAGING YOUR WORKPLACE PENSION SCHEME?**

For further information or if you require guidance on selecting or managing your workplace pension scheme, please do not hesitate to contact us. We'll provide you with the assistance and advice you need to navigate the complexities of workplace pensions and secure your financial future in retirement.

**Source data:**

[1] Research conducted on behalf of the PLSA by Yonder Consulting from 13/12/23 to 14/12/23 with an overall sample size of 1631 non-retired adults, of which 568 were in employment saving for a DC workplace pension.

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# UK RETIREES CONFRONTING **PENSION SHORTFALLS**

## MANY REGRET NOT HAVING COMMENCED THEIR SAVINGS JOURNEY EARLIER IN THEIR CAREERS

**UK retirees are encountering significantly smaller pension pots** than they had anticipated, with a considerable number expressing regret over not having commenced their savings journey earlier in their careers.

**New research has identified** a disturbing trend: the average pension pot amounts to merely £131,000[1]. This figure falls short by £119,000 for individuals who had envisioned amassing a nest egg of £250,000. Such a shortfall can drastically alter the retirement lifestyle of many pensioners.

### THE IMPACT OF REDUCED PENSION POTS

The research indicates that a pension pot of £250,000 would yield a monthly income of £1,007 or an annual income of £12,091, assuming retirement at the age of 66. However, with a pension pot standing at £131,000, retirees are now facing a monthly income of approximately £527, equating to £6,332 annually.

This represents a monthly deficit of £480 or an annual shortfall of £5,759[1]. These figures are a far cry from the comfortable retirement many had aspired to achieve. Even with a full State Pension factored in, a £131,000 nest egg is insufficient to support a 'moderate standard of living', which, according to the Pensions and Lifetime Savings Association (PLSA), requires an annual income of £31,300.

### CHALLENGES AND REGRETS IN RETIREMENT PLANNING

The rising cost of living presents additional challenges for those nearing retirement. Despite Chancellor Jeremy Hunt's announcement to increase the annual pension contribution allowance to £60,000 for the 2024/25 tax year, few can fully utilise this benefit.

Some individuals are even contemplating returning to work to enhance their pension savings. A significant portion of retirees lament their past financial planning decisions, with the research highlighting at least 50% expressing regret over not having saved more diligently or commenced their savings efforts sooner.

### NAVIGATING FINANCIAL PLANNING FOR RETIREMENT

Determining the requisite savings to secure a desired standard of living in retirement is a daunting task, especially in the early stages of one's career. The challenge is compounded by the need to balance long-term savings goals against immediate financial obligations and unexpected expenses.

The discrepancy between aspirational and actual savings is unsurprising, particularly in a cost of living crisis. This gap ultimately leads to a marked reduction in the quality of life during retirement. Bridging the gap to achieve one's retirement savings goal can be complex, necessitating a strategic approach to prioritise long-term savings amidst competing financial priorities.

### ELEVATING YOUR PENSION CONTRIBUTIONS

Enhancing your contributions towards your pension can significantly amplify the financial resources available to you in retirement. Research indicates that by increasing your pension contributions by a mere 2% of your annual salary, your retirement pot could increase by £108,000. For young professionals starting at age 22 with a salary of £25,000 annually, elevating their monthly auto-enrolment contribution from 3% to 5% could culminate in a pension pot of £542,000 by age 66.

Ambitiously extending this contribution could elevate the pension pot to over £1 million. Even a modest increase of 1% in pension contributions can substantially impact retirement savings over the years. It's beneficial to inquire about your employer's pension matching policy, as many organisations offer to match additional contributions, further augmenting retirement savings.

### BONUS ALLOCATION FOR PENSION ENHANCEMENT

Reallocating work bonuses into your pension rather than receiving them as cash can be a judicious financial strategy. This method extends the reach of your money and offers advantages such as tax relief, reduced National Insurance contributions and a potential increase in child benefits. However, it's essential to consider that redirecting your bonus towards your pension means delaying immediate access to these funds, which could impact short-term financial goals.

Additionally, making full use of your pension annual allowance, which caps at £60,000 or 100% of your earnings (whichever is lower), assuming MPAA has not been triggered, is crucial for maximising your pension contributions without incurring penalties. High earners exceeding an annual taxable income of £260,000 may face restrictions on their full allowance.

### SEIZING NEW TAX YEAR OPPORTUNITIES

Commencing a new tax year provides a prime opportunity to review and increase your pension contributions. Incrementally topping up your pension, especially after a raise or when extra funds are available, could benefit your long-term financial health.

Initiating contributions early in the financial year rather than delaying allows more time for your investments to grow, leveraging the power of compound interest. This proactive approach can significantly enhance the value of your pension pot, ensuring a more comfortable and financially secure retirement. ◀

*i*

**READY TO EXPLORE ADDITIONAL STRATEGIES TO OPTIMISE YOUR PENSION CONTRIBUTIONS?**

Adjustments to your pension contributions play a pivotal role in securing a robust financial foundation for retirement. We're here to assist you if you seek personalised advice or want to explore additional strategies to optimise your pension contributions. For further information or to discuss your specific circumstances, please get in touch with us.

**Source data:**

[1] Boxclever conducted research among 6,350 UK adults. Fieldwork was conducted from 26 July to 9 August 2023. Data was weighted post-fieldwork to ensure it remained nationally representative of all demographics.

[2] Calculated using Standard Life Money Helpers' annuity comparison tool on 29th January 2024. Assumes income starting at age 66, single income, no protection, payments to increase by RPI and no existing medical conditions.

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# RELIANCE ON DEFINED BENEFIT PENSIONS **AMONG OVER 50S**

## DIVERSE AVENUES THROUGH WHICH INDIVIDUALS PLAN TO SUPPLEMENT THEIR RETIREMENT INCOME

**Recent research reveals that a significant proportion of individuals over 50 years old** anticipate relying on secure income sources, such as Defined Benefit (DB) pensions, for their retirement funding[1].

**However, the State Pension** emerges as the most pivotal component of retirement planning, with three-quarters (73%) of this demographic identifying it as their primary income source. This data underscores the State Pension's integral role in the financial security of retirees.

### TRANSITIONING PENSION LANDSCAPES

The study further elucidates the shifting dynamics of retirement income, indicating a gradual decline in the accessibility of DB pensions across successive age groups.

Specifically, individuals over 80 and 70 years old rely more on DB pensions than their younger counterparts in their 60s and 50s. This trend highlights the evolving nature of pension schemes and the increasing need for diversified retirement planning strategies.

### DIVERSE SOURCES OF RETIREMENT INCOME

Moreover, the research sheds light on the diverse avenues through which individuals over 50 plan to supplement their retirement income. While DB pensions contribute significantly to the retirement funds of older retirees, other sources such as general savings, investments and Defined Contribution (DC) workplace pensions also play crucial roles.

The findings reveal the average contributions of these various income sources to retirees' overall financial landscape, illustrating the multifaceted approach to retirement funding in today's context.

### EXPLORING ALTERNATIVE INCOME STREAMS

In addition to traditional pension plans and savings, the study points to alternative strategies retirees employ to finance their post-work lives. Notably, some individuals over 50 leverage assets such as investment properties and expect financial support from family members to bolster their retirement income.

These findings underscore the creative solutions that retirees are adopting in response to the diminishing prevalence of guaranteed DB pensions.

### NAVIGATING PENSION COMPLEXITY

The complexity of pension planning is growing, as evidenced by the reliance on a broad spectrum of income sources and the challenges associated with the State Pension. With nearly a third of individuals over 50 expressing uncertainty about optimally using their savings for retirement, the need for clear guidance and strategic financial planning becomes increasingly apparent.

As the landscape of retirement planning continues to evolve, navigating the myriad options for securing a stable retirement income can be daunting. Professional advice offers valuable insights and direction if you require further information or wish to explore personalised strategies to maximise your retirement savings. ◀

**DO YOU WANT TO DISCUSS HOW TO ACHIEVE A SECURE AND FULFILLING RETIREMENT?**

If you need professional expert guidance on pension planning and retirement income strategies, please do not hesitate to contact us. We are here to help you achieve a secure and fulfilling retirement.

**Source data:**

[1] The research was commissioned by Standard Life and conducted by Opinium, with a nationally representative sample of 2000 over 50 years old, between 6th- 14th March 2023.

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# LOOMING **PENSION PITFALL**

## £50 BILLION OF HARD-EARNED PENSION FUNDS COULD BE IN JEOPARDY

**Recent investigations by the Centre for Economics and Business Research** have illuminated a daunting predicament facing the United Kingdom's pension sector[1]. An alarming £50 billion of hard-earned pension funds could be in jeopardy, lost within neglected accounts or dispersed amongst a myriad of forgotten pots.

**In 2023,** was surmised that upwards of 4.8 million pension pots had vanished from the radar of UK citizens, with approximately one in ten workers expressing concerns over a potentially misplaced pension pot valued at over £10,000.

The forecast suggests a stark escalation, with the aggregate number of UK pension pots set to surge by 130%, from the current figure of 106 million to 243 million by 2050. This burgeoning crisis is attributed to the increasing trend of job mobility among the youth and the ripple effects of auto-enrolment. This scheme has markedly bolstered workplace pension engagement since its inception in 2012.

### GENERATIONAL GAPS AND ACCUMULATION TRENDS

A detailed analysis reveals a discernible disparity across different age groups in terms of pension accumulation. Individuals below 35 years of age have, on average, accumulated more pensions (2.4) compared to their mid-career (35 to 54 years: 2.1) and senior counterparts (over 55 years: 1.7), despite having shorter employment histories[2].

It is projected that the youngest cohort entering the workforce today will amass, on average, five pension pots by their retirement age of 68, with some individuals possibly gathering over twenty separate pensions throughout their career span. The likelihood of misplacing a pension pot is notably higher among the younger workforce – 25% believe they might have lost track of a pension, in contrast to 17% of those in mid-career and just 8% of older workers.

### GOVERNMENT INITIATIVES AND INDIVIDUAL VIGILANCE

To address the escalating issue of unclaimed pensions, the government has put forth initiatives such as pension dashboards and the innovative 'pot for life' concept, aiming to alleviate the challenges of tracking multiple pension pots. The inadvertent neglect of pensions can lead to a less secure financial standing in retirement. Maintaining meticulous records of previous employment, alongside pension provider details, requires professional financial advice.

Furthermore, frequent job changes, particularly prevalent among the younger generation, accentuate the risk of accruing and subsequently losing track of multiple pension pots. This scenario underscores the necessity for governmental support and guidance in managing pensions effectively, ensuring a robust private pension framework to support the financial sustainability of an ageing population.

### SECURING YOUR FINANCIAL FUTURE

As we navigate these changing times, the importance of being proactive in managing our pensions cannot be overstated. Consolidating pensions could be a prudent strategy for those seeking to safeguard their retirement savings and ensure a stable financial future. It's imperative to remain informed and actively manage your pension portfolio. ◀

**READY TO SECURE YOUR FINANCES AND TAKE THE RIGHT STEPS TODAY?**

Should you require further assistance or wish to explore more about securing your pension pots, do not hesitate to contact us for professional advice. Securing your financial future starts with taking the right steps today.

**Source data:**

[1] Analysis conducted by the Centre for Economics and Business Research, on behalf of PensionBee – a 'lost' pension pot is defined as one in which the connection between the owner and the pot is currently cut off. This doesn't mean these pension pots are lost forever, and they're likely recoverable – 19 March 2024.

[2] An average number of pension pots was created using respondents' estimates of how many pots they have. Where they were unable to provide one, we asked them how many employers they had in various time periods and multiplied that by the average pension enrolment proportion for the period. The weighted average number of pension pots of the general sample is multiplied by the number of UK adults as per ONS census data from 2021 to find the UK-wide total.

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