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LIFE FINANCIAL PLANNING

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HOW CAN I PROTECT MY WEALTH FROM INFLATION?

Five questions to ask before inflation really takes off

UK PENSIONERS UNDERPAID

More than £1 billion in State Pensions impacted due to 'repeated human errors'

MINIMUM PENSION AGE ON THE UP!

Increase intended to align with the raising of the State Pension age

CHANGE TO THE STATE PENSION TRIPLE LOCK

Pensioners 'deeply disappointed', particularly women and self-employed

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Inside **this issue**

Welcome to our latest edition. This issue was written prior to the Chancellor of the Exchequer, Rishi Sunak, presenting the second UK Budget of 2021 on Wednesday 27 October. We will look at the key announcements included in the Chancellor's red box in the next issue.

Inside, 'How can I protect my money from inflation?' is a question that many people may be asking themselves right now. In the current economic climate, rising inflation is becoming a concern for people with savings and investments. The effect means you're potentially earning less money due to your hard-earned cash becoming worth less as time goes by. The negative impact of inflation upon the real value of an investor's portfolio will be a concern, particularly for the older generation with not enough investments, who may live mostly or entirely off their savings and pensions. On page 04 we consider five questions you should ask yourself before inflation takes off.

The Department for Work and Pensions (DWP) underpaid 134,000 pensioners in State Pension to the tune of £1 billion, according to the National Audit Office (NAO). Complex State Pension rules, outdated and unautomated IT systems, and a high degree of manual review and understanding required by case workers led to the errors uncovered by the investigation. Errors affected pensioners who first claimed their State Pension before April 2016, do not have a full National Insurance record, and who should have received certain increases in their basic State Pension. Read the full article on page 06.

On page 12 we look at one of the less publicised pension changes being planned – the raising of the Normal Minimum Pension Age (NMPA) from 55 to 57. This is to be effective from 2028 and will be included in next year's Finance Bill. The NMPA is the age that you can usually first access pension benefits without incurring penal tax charges. Pensions tax rules in the UK are some of the most complicated aspects of UK tax legislation – not ideal when pretty much everyone has to interact with them.

The earnings benchmark of the State Pension triple lock will be temporarily set aside for next year. The Department for Work and Pensions (DWP) confirmed on 7 September that the State Pension triple lock rule will not be applied for the 2022/23 financial year over concerns of the potential costs involved. It comes after the Office for Budget Responsibility (OBR) said in July that pensioners could see their payments rise by as much as 8% due to the guarantee. Read the full article on page 03.

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

MONEY DOESN'T HAVE TO BE COMPLICATED

Whatever your needs and aspirations, we can help you enjoy today while planning for tomorrow. We hope you enjoy our latest issue, and if you require any further information or would like to start a conversation – please contact us.

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

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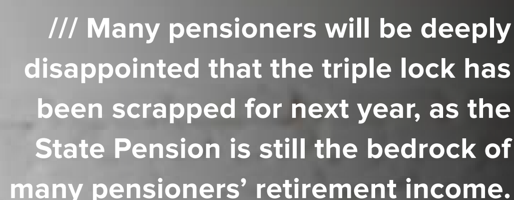


CHANGE TO THE **STATE PENSION TRIPLE LOCK**

Pensioners 'deeply disappointed', particularly women and self-employed

The earnings benchmark of the State Pension triple lock will be temporarily set aside for next year. The Department for Work and Pensions (DWP) confirmed on 7 September that the State Pension triple lock rule will not be applied for the 2022/23 financial year over concerns of the potential costs involved.

It comes after the Office for Budget Responsibility (OBR) said in July that pensioners could see their payments rise by as much as 8% due to the guarantee. The triple lock guarantees that pensions grow in line with whichever is highest out of earnings, inflation or 2.5%.

AVERAGE EARNINGS COMPONENT DISREGARDED

Work and Pensions Secretary, Therese Coffey, said the average earnings component would be disregarded in the 2022/23 financial year. 'I will introduce a Social Security Uprating and Benefits Bill for 2022/23 only,' she told the Commons.

'It will ensure the basic and new State Pensions increase by 2.5% or in line with inflation, which is expected to be the higher figure this year, and as happened last year, it will again set aside the earnings element for 2022/23 before being restored for the remainder of this Parliament.'

SKEWED AND DISTORTED STATISTICAL ANOMALY

Ms Coffey said the figures had been 'skewed and distorted' by the average earnings rise, which she described as a 'statistical anomaly'.

She said the change meant that pensions would still rise, but less quickly. The triple lock would return the following year, she added.

BEDROCK OF MANY PENSIONERS' RETIREMENT INCOME

Many pensioners will be deeply disappointed that the triple lock has been scrapped for next year, as the State Pension is still the bedrock of many pensioners' retirement income. Women and those who are self-employed are among those who will be particularly affected by the temporary scrapping of the triple lock, as they are more likely to rely on the State Pension in retirement.

However, it is encouraging that the government hasn't abandoned its longer-term commitment. The 2.5% minimum rate has been used on a number of occasions, and is having the effect of slowly increasing what people receive in real terms. The long-term trajectory of the State Pension will also be more important to younger people, more than a one-off hike in line with earnings this year.

ENJOYING MORE FREEDOM AND FLEXIBILITY IN YOUR LATER YEARS

Planning for retirement can be overwhelming. One of the biggest risks you can face is running out of money in retirement. This can happen when you don't adequately plan for retirement. The earlier in life you recognise this need, the more you can increase your chances of enjoying more freedom and flexibility in your later years. If you have any concerns about your retirement plans, please contact us.

HOW CAN I PROTECT **MY MONEY FROM INFLATION?**

Five questions to ask before inflation really takes off

'How can I protect my money from inflation?' is a question that many people may be asking themselves right now. In the current economic climate, rising inflation is becoming a concern for people with savings and investments.

The effect means you're potentially earning less money due to your hard-earned cash becoming worth less as time goes by. The negative impact of inflation upon the real value of an investor's portfolio will be a concern, particularly for the older generation with not enough investments, who may live mostly or entirely off their savings and pensions. It can be even worse if they have a decrease in income at the same time as a loss of value on their assets.

If you're middle-aged or young, it's also important to consider how much inflation will affect you and your investments. Many savers may currently be receiving very low returns on their cash deposits, but with many households sitting on more cash than ever following COVID-19, protecting cash from inflation is becoming vital.

FIVE QUESTIONS TO ASK TO PROTECT YOUR CASH FROM INFLATION

1) IS THE AMOUNT YOU HAVE IN CASH APPROPRIATE FOR YOUR CIRCUMSTANCES?

The first thing we would say here is that the amount of cash you have should be appropriate for your personal circumstances. What we mean by this is that the amount of cash someone else has may not be appropriate for you, because we all have different needs and wants.

The amount of cash savings that a person has should always match their circumstances and income level. Since we don't know what life will bring next, we need to be able to take care of ourselves and our families – even the unexpected – without having to resort to or depend on credit cards or loans from others. It's important to build an emergency fund.

This should contain at least three months' worth of expenses – those are the bare minimum. It could be more, but not less than three months' worth. But since this will be at the mercy of inflation, some savers may opt to hold the bare minimum amount in cash to avoid incurring losses on the value of their money.

2) SHOULD YOU CONSIDER INVESTING SOME OF YOUR CASH?

As a general rule, the answer to this question will depend on your cash flow needs and investment preferences. But you should consider investing some of your money, even though this may seem counterintuitive.

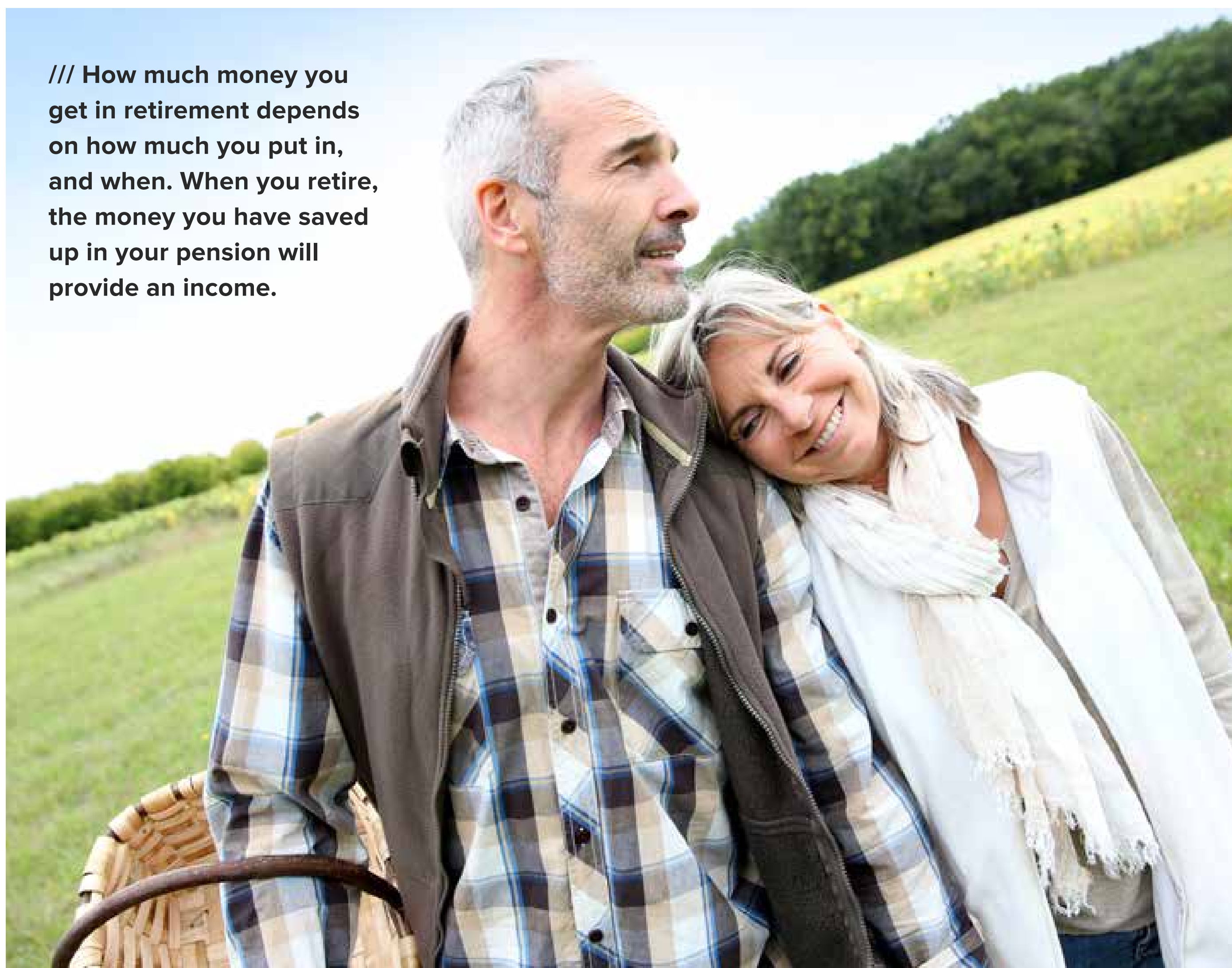
Ultimately building a diversified investment portfolio rather than putting all your eggs into one basket, so having some cash savings and some investments for growth, is likely to suit most people's risk profiles.

While past performance is no guarantee of future performance, investing some of your cash savings may be worth considering. If you're saving for a long-term goal, like retirement, then it's really important to factor in inflation. If you don't it could erode the value of your money and jeopardise your plans for the future.

3) HAVE YOU MAXIMISED YOUR PENSION SAVINGS IN RECENT YEARS?

How much money you get in retirement depends on how much you put in, and when. When you retire, the money you have saved up in your pension will provide an income. The bigger that pot is, the more you'll get each year to help pay for your living expenses. On average, people retiring today may need to replace about half of their pre-retirement income with savings and investments (income from pensions or other savings).

Obtaining professional financial advice is important to make sure you're putting enough away so your retirement savings last longer. To give yourself the best chance of a comfortable retirement, you need to make sure as much as



possible goes into your workplace or personal pensions as early as possible.

It is important to maximise pension contributions to receive tax relief as this helps you save more money for your retirement goals. Pensions are still a very tax-efficient investment for the majority of people, with tax relief on contributions, as well as tax-free growth within the fund.

4) HAVE YOU MADE USE OF YOUR ISA ALLOWANCE THIS YEAR, AND THOSE OF YOUR FAMILY (ASSUMING YOU'RE FEELING GENEROUS)?

Do you have an ISA allowance? Have you made use of this year's allowance and do you plan to make any changes in the future to your ISA savings strategy? Have you made use of your family's ISA allowance this year?

Everyone aged 18 and over can invest £20,000 per annum into a Stocks & Shares ISA; those under 18 can invest £9,000 each year. Those aged 16 or over can invest £20,000 per annum into a Cash ISA. ISAs grow tax-efficiently, whether invested in cash or other asset classes like stocks and shares, and the long-term effects of this tax-efficient growth can be significant.

5) ARE YOU MAKING THE MOST OF YOUR INCOME ALLOWANCES?

You work hard to make a living, and you should take advantage of how much money you have been able to earn. Personal income allowances give you the ability to control how much or how little tax you pay on money that has been earned over the year.

Often, we find people squander the opportunity to use a spouse's or partner's lower Income Tax rate, or even their Personal Savings Allowance (currently £1,000 for 2021/22), by holding investments or cash balances in the higher earner's name. This could mean, for example, paying tax on interest at 45% when the spouse would pay just 20%, or even no tax at all. There is no limit on the amount of money that can be transferred (the transfer must be of genuine beneficial ownership to apply) between spouses, so you might want to consider whether transferring holdings to or from your partner would benefit your family.

Few savers will be untouched by inflation in the near future. But by asking yourself the questions above, you can mitigate the effect of inflation by making sure your money is working as hard as possible to earn inflation-beating returns.

TIME TO DISCUSS HOW TO PROTECT THE VALUE OF YOUR WEALTH?

If you want to get more out of your personal savings and investments, we can help you manage, organise and preserve the wealth of your portfolio. To discuss how to mitigate the impact of inflation on your financial plans, please contact us – we look forward to hearing from you.

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UK PENSIONERS **UNDERPAID**

More than £1 billion in State Pensions impacted due to 'repeated human errors'

The Department for Work and Pensions (DWP) underpaid 134,000 pensioners in State Pension to the tune of £1 billion, according to the National Audit Office (NAO)[1].

Complex State Pension rules, outdated and unautomated IT systems, and a high degree of manual review and understanding required by case workers led to the errors uncovered by the investigation.

STATE PENSION CLAIMS

The NAO said some level of error in the processing of State Pension claims was almost inevitable given 'the complex rules and high degree of manual review necessary' when assessing them.

Errors affected pensioners who first claimed their State Pension before April 2016, do not have a full National Insurance record, and who should have received certain increases in their basic State Pension.

LEGAL ENTITLEMENTS

The DWP has not assessed the demographics of pensioners likely to be affected, but it has estimated that 90% are likely to be women.

Cases started getting reviewed from January 2021, in a legal entitlements and administrative practices (LEAP) exercise. This exercise was originally expected to take over six years to complete, but following a ministerial decision to recruit additional staff, the DWP revised the completion date to the end of 2023.

The government department said it will contact pensioners if it finds they have been underpaid. The report found that, of the 134,000 cases, around 94,000 are still alive. For the 40,000 who have died, payments could be made to estates, NAO suggested.

UNABLE TO TRACE THE PENSION

Yet, the DWP has identified around 15,000 cases where it might be unable to trace the pension or their heirs.

Also, the true number who were underpaid before they died is likely to be higher, because records for the deceased are generally destroyed within four years. As at August 2021, the DWP had not approved a formal plan to trace the estates of deceased pensioners.

VALUE OF THE UNDERPAYMENTS

DWP estimates it will need to pay the affected pensioners it can trace a total of £1 billion. This represents an average of £8,900 per pensioner affected. The estimates are highly uncertain and the true value of the underpayments will only become clear once the DWP has completed its review of all affected cases.

According to the NAO report, DWP normally has around 40,000 live (uncompleted) new State Pension claims on the go. Yet, this had increased to 80,000 as of July 2021.

HISTORICAL ERRORS

A DWP spokesperson said: 'We are fully committed to ensuring the historical errors that have been made by successive governments are corrected, and as this report acknowledges, we're dedicating significant resources to doing so.

'Anyone impacted will be contacted by us to ensure they receive all that they are owed.

'Since we became aware of this issue, we have introduced new quality control processes and improved training to help ensure this does not happen again.'

TIME TO DISCUSS PLANNING YOUR RETIREMENT INCOME?

Whatever retirement looks like for you, it's important to review your situation and make plans now so that you have the freedom to enjoy the time when it comes, however you choose to fill it. Speak to us today and make sure your plans are on track for the future you want.

Source data:

[1] https://www.nao.org.uk/report/investigation-into-underpayment-of-state-pension/

FESTIVE GIFTS THAT TEACH CHILDREN THE VALUE OF MONEY

Why parents should look to Christmas investment gifts instead of toys

With the festive season approaching, have you thought about gifting your children or grandchildren something different this year? Giving them a good start in life by making investments into their future can make all the difference in today's more complex world.

Lifetime gifting is not only a good way to set up children for adulthood but is also a way of mitigating any Inheritance Tax concerns.

However, what's clear is that not all saving products for children are made equally. With interest rates at historic lows, if you are looking to put money away for a child to enjoy when they grow up investing is by far the best way to maximise your gift.

SIGNIFICANTLY HIGHER RETURNS

Some people remain worried about the volatility of investing but, with an 18-year horizon, putting money to work in the market can give significantly higher returns than products such as Premium Bonds.

One option to consider is a Junior Individual Savings Account (JISA). These were introduced in the UK on 1 April 1999 as a long-term replacement for Child Trust Funds (CTFs). If a child was born between 2002 and 2011, they might already have a Child Trust Fund, but these can be transferred into a JISA.

SAVE AND INVEST ON BEHALF OF A CHILD

If the CTF is not transferred, when a child reaches 18 they'll still be able to access the money. Or they can choose to transfer it into a normal Cash ISA. A JISA is a long-term savings account set up by a parent or guardian and lets you save and invest on behalf of a child under 18 without paying tax on income or gains.

With a Junior Stocks & Shares ISA account, you can put your child's savings into investments like funds, shares and bonds. Any profits you earn by trading investment funds, shares or bonds are free from tax. Investments are riskier than cash but could give your child a bigger profit, and the value of a Junior Stocks & Shares ISA can go down as well as up.

Money in the account belongs to the child, but they can't withdraw it until they turn 18, apart from in exceptional circumstances. They can start managing their account on their own from age 16.

FINANCIAL EDUCATION FROM A YOUNG AGE

The Junior ISA limit is £9,000 for the tax year 2021/22. If more than this is put into a Junior ISA, the excess is held in a savings account in trust for the child – it cannot be returned to the donor. Friends and family can also save on behalf of the child as long as the total stays under the annual limit.

When your child turns 18, their account is automatically rolled over into an adult ISA . They can also choose to take the money out and spend it how they like. It is therefore important to ensure that children are given financial education from a young age so that when they can get their hands on the funds they use them wisely.

BEEN PUTTING OFF PLANNING FOR YOUR CHILD'S FUTURE?

Many parents, guardians and grandparents want to help younger members of the family financially – whether to help fund an education, a wedding or a deposit for a first home. If you are asking yourself 'How can I start saving for my child's future?', using a Junior Individual Savings Account could be a good place to start. You don't need a big lump sum to get started. In fact, contributing regular smaller amounts is a good way to start. To find out more, please speak to us – we look forward to hearing from you.

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PENSIONS AND RETIREMENT STILL REMAIN A TABOO

When it comes to marriage and money, it's good to talk

Millions of married couples have no idea about their spouse's pensions and retirement plans, according to new research[1]. More than three-quarters (78%) of non-retired married[2] people do not know what their spouse's pensions are worth.

Nearly half (47%) of non-retired married people have not spoken to their spouse about their retirement plans and 85% of non-retired married people are not aware of the tax-efficiencies of planning retirement together.

RETIREMENT FINANCES

Wealthy people aren't doing much better. Mass affluent people (those with assets of between £100,000 and £500,000 excluding property) are more likely than average to be aware of the value of their spouse's pension, but the majority (60%) aren't going to plan their retirement finances with their spouse and 78% aren't aware of the benefits of planning retirement together

The research indicates that millions of married people are not talking to their partners about their pensions and retirement plans. That's a mistake because couples who jointly plan their retirement can be much better off when they stop working.

LIFETIME OF SAVING

Most people have a good idea of what their house is worth, and the same attitude should apply to their retirement funds. After a lifetime of saving, the value of a retirement fund can be worth as much as a property so it's important that people know how much their retirement savings are worth and the potential death benefits they offer.

The best way for people to ensure they have the retirement they want, their pension income lasts throughout their retirement and that they avoid unnecessary tax bills is to obtain professional financial advice. This is especially true for people who plan to retire within the next five years.

PENSION TIPS FOR COUPLES

Pay into your partner's pension: A higher-earning partner approaching the Lifetime Allowance or Annual Allowance could pay additional contributions into their partner's pension. The contributions will attract tax relief.

Don't forget the death benefits and Inheritance Tax benefits of pensions: Pensions won't normally form part of the estate for Inheritance Tax purposes and, on death before age 75, they can usually be paid out tax free (on death after 75, they are taxed as the beneficiary's income). It can make sense to discuss when and how to access a pension and if it would be better to spend any other savings first.

Avoid unnecessary large withdrawals from a pension fund: Couples should consider how much money they need to withdraw from their pension funds. Drawing too much too quickly can lead to large tax bills.

Make sure your partner knows who to contact about your pensions if you die: You may have carefully arranged all your finances so that they can be passed to your loved ones in the most tax-efficient way possible. However, if your partner hasn't been part of the conversation they may make uninformed decisions. It's worth remembering that any adviser/client relationship you have ends on death. Data protection rules mean your financial adviser won't necessarily know what is happening. This can lead to irreversible and costly mistakes being made.

On retirement, many people's first instinct is to request their full tax-free cash entitlement. However, unless a large lump sum is needed for a specific purpose, this is not always the wisest course of action.

If flexibly accessing a pension, it can often make sense for couples to retain most of the tax-free cash entitlement until a later date, looking to utilise the personal allowance (and potentially the basic rate tax band) to draw tax-efficient income instead. ◂

SUCCESSFULLY MANAGING FINANCES IN MARRIAGE

When you and your spouse married, you agreed to share a financial future. It's an important issue for most married couples. Although successfully managing finances in marriage is essential to your happiness together, talking about money may not come naturally. To discuss how we could help you plan your finances, please contact us for more information.

Source data:

[1] LV= surveyed 4,000+ nationally representative UK adults via an online omnibus conducted by Opinium in June 2021.

[2] Includes couples in civil partnerships.

UK population stats from ONS. Total UK adult population is 52.7m UK adults (aged 18+).

THE POWER OF A PLAN

How to create a personal financial plan in 8 steps

When thinking about your future financial wellbeing, it can be helpful to consider a plan. It is a good idea to have a clear sense of what you want from life and use this as a guide for making important decisions.

A comprehensive financial plan helps you achieve your goals by analysing your current situation, planning for the future and providing continuous monitoring of progress towards those goals. A well-thought-out plan can help you protect yourself from unexpected events that could affect your ability to meet long-term financial commitments.

What do you want to do in life? Who are the people who matter most to you? What do you worry about at night?

STEP 1: SET YOUR GOALS

Without them, it's hard to know what direction you're headed and even harder to remember where you came from. Critical goals come before needs and wants.

When life changes – and it always does – your goals help guide your financial decisions and focus on what's important.

STEP 2: MAKE A BUDGET

So you've decided to start keeping track of your income and expenditure, but how do you know where to begin? Creating a budget can seem like a daunting task, especially if you are not familiar with the process.

Not only is it important to know how much money is coming in and going out of your household each month, it's also vital that you understand where that money is being spent. With a budget, you can align what you make with what you spend. With goals set, you can now organise your money.

STEP 3: BUILD YOUR EMERGENCY SAVINGS

The best way to ensure you have money available in an emergency is to build your own savings, typically three to six months' worth of living expenses. Emergency funds should be set aside in case of an unexpected financial disaster. Taking the time to save for emergencies is a must, even if you already have a budget in place.

In fact, when creating your budget, it's important to remember that there will be some things that don't fit into your monthly spending plan, and emergency savings make a great way to cover these unexpected costs.

STEP 4: PROTECT YOUR INCOME

Falling ill or having an accident doesn't have to become a financial burden on you or your family. What if you or your partner got too sick or hurt to work? Or passed away unexpectedly? Could those who depend on you still pay the bills – and save for the future? Planning your financial future isn't only about savings and investments.

Of equal importance is putting protection in place for you and your family for when you die or if you become ill. Most people have heard of life insurance, but may not know about the different types or about the options for people affected by ill health. No one likes to think of these things. But life can change in an instant. It's good to hope for the best, but be ready for the unexpected. Insurance helps you do that.

STEP 5: PAY DOWN DEBT

The importance of paying down personal debt cannot be understated. But it can be difficult to prioritise paying down debt while still paying for essential day-to-day living expenses. However, ignoring the significance of personal debt could lead you to major financial trouble in the long run.

Paying off your debts will not only free up cash flow to allow you to save, it will also go towards improving your credit score. The lower your debt-to-income ratio is, the better your credit rating. Your credit rating affects the interest rates that lenders charge you for mortgages, car loans and other types of financing.

STEP 6: SAVE AND PLAN FOR RETIREMENT

Everyone needs to save and plan for retirement. No matter how much you make or whether you have a job, you should always start saving as early as possible. It is important for you to take control of your retirement planning and make decisions regarding your pension. It is often not appreciated that contributing to a pension arrangement can help you build up an extremely valuable asset.

People are living longer and leading more active lives in retirement. As a result, it is more important than ever for you to think about where your income will come from when you retire. Pension saving is one of the few areas where you can still get tax relief.

STEP 7: INVEST SOME OF YOUR SAVINGS

Saving and investing are important parts of a sound financial plan. Whereas saving provides a safety net for unexpected expenses, investing is a strategy for building wealth. Once you have an emergency savings fund of three to six months' worth of living expenses, you can develop a strategy to grow your wealth through investing.

Investing gives your money the potential to grow faster than it could in a savings account. If you have a long time until you need to meet your goal, your returns will compound. Basically, this means in addition to a higher rate of return on investments, your investment earnings will also earn money over time.

STEP 8: MAKE YOUR FINAL PLANS

The importance of estate planning is necessary for all individuals, not just the wealthy. Without proper estate planning in place to protect your assets, you could end up leaving large amounts of money to be fought over by your loved ones and a large Inheritance Tax bill.

Your estate planning should sit alongside making your Will, both key parts of putting your affairs in order later in life. Working out the best ways to leave money in a Will before you pass away can help to make the lives of your loved ones easier when you're no longer around.

I AM READY TO START A CONVERSATION

Financial planning may be complex, but it doesn't have to be difficult. We're committed to ensuring you feel comfortable, informed and supported at each stage of your financial planning journey. To find out more, or to discuss how we could help you and your family, please contact us.

PLANNING FOR EARLY RETIREMENT

What are the financial consequences to stopping work in your 50s?

Early retirement may be the ultimate dream for some, but the coronavirus (COVID-19) pandemic made it the only option for many. Figures from the Office for National Statistics show that over-50s had the highest redundancy rate between December 2020 and February 2021[1].

Retiring early can give you that change of lifestyle you've been craving, open doors to new experiences and potentially improve your health. But there are financial consequences to stopping work in your 50s.

WHAT IS THE FINANCIAL IMPACT OF EARLY RETIREMENT?

Traditionally, people retired between the ages of 60 and 65, but there's no set age that you need to give up work. In fact, anyone with a pension pot can access it from age 55 – although this is set to rise to age 57 from 2028.

Retiring early requires some careful planning. It can put significant pressure on your funds as your new income is likely to be less than your pre-retirement earnings. You might have various sources of income for your retirement ranging from your personal and/or workplace pension, the State Pension, investments and other savings. Reviewing your financial situation and determining how much money you need to live a comfortable life in retirement is an important first step.

Something to bear in mind: if you're aged over 55, your State Pension won't be paid until you reach age 67. If you stop working before then, you could be relying on income from your private pension savings for more than a decade.

It's also worth bearing in mind the impact of inflation. Prices have steadily increased over the past decade, for example, holidays, luxury goods and even basic necessities have become more expensive. So if you're looking at a retirement of 25 years or more, you could see the purchasing power of your pension income decrease due to rising prices.

HOW TO ASSESS YOUR FINANCIAL SITUATION

Understanding your individual financial situation can make a big difference when it comes to making decisions around your retirement savings. Fully assessing your personal finances can help give you a clearer picture of whether early retirement is feasible.

HERE'S A CHECKLIST OF WHAT YOU SHOULD CONSIDER:

1. HOW DO YOU PLAN FOR A VARIED RETIREMENT?

If you're planning to retire early, think about what type of lifestyle you want to enjoy in later life. This will then help you determine what you're

/// In order to understand your income requirements in later life, you'll need to know when you can collect your State Pension and how much it's likely to be.

saving towards. You might plan to travel, embark on a journey of further education or simply spend more time with loved ones – whatever you decide to do, you're going to have demands on your retirement income.

When you're reviewing your financial plans, it could be worth looking at those first early years of retirement as something separate. For example, including more in the budget for multiple holidays a year, or dinners out and trips to the theatre. Then take a look at how your lifestyle may modify as you slow down in later life. There may be fewer trips and holidays to take, but there could be increased care costs.

Taking early retirement means that you almost have to plan for two different retirements. One that caters to the immediate future, where you're likely to still be very active. And one where a slower pace of life comes into play. Each will have a different focus and therefore different demands on your money.

2. HOW MANY YEARS DO YOU EXPECT TO BE RETIRED?

There are obviously no guarantees on how long any of us will live, but when it comes to retirement planning, you'll need to make an informed guess.

It's worth considering family history, as well as factors such as your gender and geographical region. If you expect to live to around 85, but plan to retire at 55, you'll need to save enough to support yourself for 30 years – but don't forget, you may live a lot longer than you expect, and you're likely to want leave something for your loved ones.

3. HOW MUCH WILL YOUR STATE PENSION BE?

In order to understand your income requirements in later life, you'll need to know when you can collect your State Pension and how much it's likely to be.

The State Pension age is under review and is gradually being pushed back so it's in line with life expectancy. Other factors, such as your gender and the year you were born, make State Pension ages vary.

Currently, the maximum State Pension is £179.60 per week, or £9,350 a year[2]. However, you'll need to have made, or be credited with, 35 years of National Insurance contributions to qualify for the full amount[3].

4. HOW MUCH DO YOU HAVE IN YOUR PRIVATE PENSION POT?

As the State Pension is not really enough to live on, the likelihood is that workplace or private pensions will make up a significant part of your retirement income.

When you retire, you can use some or all of your pension savings to buy an annuity, which then pays you a regular retirement income for either a set period, or for life. Alternatively, you can keep your savings in your pension pot and 'drawdown' only what you need, as and when you need it. You must have a defined contribution pension to be able to do this (your workplace pension provider will be able to inform you on whether you do).

The first step, before making a decision, would be to track down all of your pension pots and ask for a pension forecast. Estimate how much you can achieve via a drawdown, an annuity, or a combination of both. And remember, the value of any investments can fall as well as rise and isn't guaranteed.

5. HOW CAN YOU ENSURE YOUR PENSION POT WILL LAST?

Having an understanding of your retirement income and outgoings can help you to plan for the future. Perhaps you've reviewed your finances and realised you can retire early, or you might decide to wait a few more years to help you boost your pension pot that bit more.

The key thing to understand is that your retirement is completely personal, and the amount you will need will depend on your specific circumstances and expectations. If you're in any doubt about the financial impact of early retirement, you should obtain professional financial advice.

WHAT DOORS AND POSSIBILITIES WILL YOUR RETIREMENT OPEN FOR YOU?

Life is short and unpredictable. If you would like to retire early and explore a life away from work, you'll need to put a carefully considered plan in place. Retirement can open many doors and possibilities. You may be thinking about seeing the world or starting your own business. To discuss how we could help you, please contact us for further information.

Source data:

[1] Living longer: older workers during the coronavirus (COVID-19) pandemic. Data source, Office for National Statistics, May 2021.

[2] Having more for retirement. Data source, GOV.UK, August 2021.

[3] The new State Pension. Data source, GOV.UK, August 2021.

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.

THE TAX IMPLICATIONS OF PENSION WITHDRAWALS WILL BE BASED ON YOUR INDIVIDUAL CIRCUMSTANCES, TAX LEGISLATION AND REGULATION WHICH ARE SUBJECT TO CHANGE IN THE FUTURE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

MINIMUM PENSION AGE ON THE UP!

Increase intended to align with the raising of the State Pension age

One of the less publicised pension changes being planned is the raising of the Normal Minimum Pension Age (NMPA) from 55 to 57. This is to be effective from 2028 and will be included in next year's Finance Bill. The NMPA is the age that you can usually first access pension benefits without incurring penal tax charges.

Pensions tax rules in the UK are some of the most complicated aspects of UK tax legislation – not ideal when pretty much everyone has to interact with them. The last thing that is needed is anything that significantly adds to this complexity, particularly where the impacts will be felt for decades.

INCREASING ON A STAGGERED BASIS

The increase in NMPA to 57 is intended to align with the raising of the State Pension age to 67, and will reinstate the ten year difference between the two ages. The State Pension age is increasing on a staggered basis depending only upon your date of birth. Although younger people lose out by having to wait longer, the position is clear to everyone and is as simple and fair as it can be. Unfortunately, the implementation of the increase in the NMPA is neither simple nor fair and it is going to be incredibly complicated.

The increase in NMPA will be subject to protections where some will remain entitled to access their pension at 55. Whether someone has a protection will be decided on a pension scheme by pension scheme basis. It will depend upon whether the pension scheme on 5 April 2023 gave an unqualified right to take benefits as at 11 February 2021.

TRANSFERRED TO A NEW PENSION SCHEME

HM Revenue & Customs have indicated that where pension schemes rules include a reference to benefits being taken from age 55, this would be an unqualified right; however, a reference to taking benefits from the NMPA would not meet the requirement.

There will be a ring-fencing where funds in a pot with protection are transferred to a new pension scheme, with funds transferred (and any investment income on those funds only) accessible at 55, whereas any new payments in would only be accessible at 57. There is a window until 5 April 2023 to transfer into a pension scheme that has the right to access at 55, provided that the scheme had this right as at 11 February.

WHAT IF I COULD HAVE THE RETIREMENT I REALLY WANT?

With more freedom and flexibility to do exactly what you want with your pension, you now face what may seem like a maze of options. That's why it's important you obtain professional financial advice. And in times of uncertainty, it's more important than ever to talk about your money – that's why we're here to help. To find out more, please contact us.

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