SEPTEMBER/OCTOBER 2019

RETIREMENT RESILIENCE

TAKING THE REINS AND HAVING MORE CONTROL OVER YOUR PENSION POT

FINANCIAL SUPPORT
Looking after your lifestyle during a time of uncertainty

WHAT YOU NEED TO KNOW
Winners and losers under the new State Pension

PENSION SCAMMERS: SPOT THE WARNING SIGNS
Don't lose your life savings or be persuaded to invest in high-risk schemes

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INSIDE THIS ISSUE

Welcome to the latest issue. At the time of writing, the UK Government said it is 'ready and willing' to do a deal to leave the EU if new terms are negotiated with Brussels. But the new Prime Minister, Boris Johnson, has vowed the UK will leave the EU 'come what may' by 31 October – the date the UK must depart if no deal has been reached.

Even though we don't definitively know what the impact of Brexit will be on both the UK's and other countries' economies, it doesn't mean this is necessarily a bad time to invest internationally. Any well-run investment portfolio should include exposure to companies from around the world. This gives investors access to a greater range of opportunities and allows portfolios to be insulated from any shocks that could affect individual economies.

Saving for retirement is one of our greatest financial priorities, especially as life expectancy is growing and retirements are likely to last longer. It may be the case that you want to take the reins and have more control of your pension pot. Turn to page 06 to see how, for appropriate investors, one option to consider is a Self-Invested Personal Pension (SIPP).

Nobody wants to worry about how they'll pay the bills if they become sick or injured and can't work. But illness or injury can strike at any time and can lead to serious financial trouble. On page 12, we look at the latest government figures that report the dramatic increase in the likelihood of long-term sickness absence when we age, leading to an employment absence of four weeks or more.

Also inside this issue, we look at how to spot the warning signs if you're approached by a pensions scammer; consider the winners and losers under the new State Pension; and if you have accumulated a number of pension pots over the years from different employers, why consolidating them could be appropriate. A full list of the articles featured in this issue appears opposite.

IT'S GOOD TO TALK

We hope you enjoy this issue. To discuss any aspects of building, growing and protecting your future financial plans, please contact us – we look forward to hearing from you.

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INFORMATION IS BASED ON OUR CURRENT UNDERSTANDING OF TAXATION LEGISLATION AND REGULATIONS. ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

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

WHAT YOU NEED TO KNOW

WINNERS AND LOSERS UNDER THE NEW STATE PENSION

The figures for people qualifying for the full new State Pension following its introduction in April 2016 reveal almost two in five pensioners (365,290 people, or 38% of claimants) receive less than £150 a week, while a further 314,290 people (33% of claimants) receive more than £150 a week[1].

The new State Pension is a regular payment from the Government that most people can claim in later life. You can claim the new State Pension at State Pension age if you have at least ten years' National Insurance contributions and are a man born on or after 6 April 1951, or a woman born on or after 6 April 1953. The earliest you can receive the basic State Pension is when you reach State Pension age.

BENEFITS BUILT UP OVER THE OLD AND NEW SYSTEMS

The full amount you can get under the new State Pension is £168.60 per week (in 2019/20), but this depends on your National Insurance (NI) record. If you have 35 years or more of NI contributions, you will get the full amount; between 10 and 34 years of contributions, you will receive a proportion of the pension; and less than ten years of NI contributions, you aren't eligible for the new State Pension.

The data also shows 282,447 pensioners (29% of claimants) are receiving a new State Pension from April 2016 with a 'protected payment', which essentially means they receive more than the new full State Pension, as benefits built up over the old and new systems are worth more than the new flat rate.

FOUNDATION OF MOST PEOPLE'S RETIREMENT PLANS

People can receive less than the full flat rate State Pension when their NI record is incomplete or have paid less than the 35 qualifying years required under the new rules (usually through periods of contracting out).

The State Pension is the foundation of most people's retirement plans, and yet this data shows more than half of those eligible to claim the State Pension under the new flat rate system receive less than the full amount. Given the various changes that have been introduced over the years, it's not surprising people find the whole system difficult to understand.

STATE PENSION TIPS

- Go online or contact DWP for an up-to-date State Pension forecast. DWP will use your NI record under old and new State Pension rules to calculate your State Pension
- Your 'starting amount' can be less than, more than or equal to the new full State Pension
- Consider paying voluntary NI contributions if there are gaps in your records (you can only usually go back six years)
- There is no benefit in paying voluntary NI contributions if you've built up 30 years under the old system before April 2016
- Ensure you've claimed credits for periods where you've not worked, for example, when unemployed or looking after children. This should happen automatically, but mistakes can and do happen, especially if you are self-employed
- You can claim for NI credits if you are caring for parents or grandchildren
- If you've been contracted out for any period before April 2016, you will have paid lower NI and therefore receive a smaller State Pension. Your private pension will have an element of 'Contracted Out Pension Equivalent', or COPE, which will allow for this
- Consider deferring your State Pension (although this is less financially generous than previously)

SPEND THE LONGEST TIME ON PREPARING FOR RETIREMENT

The State Pension can be a minefield. And remember, it is only really there to provide a basic standard of living when you retire. Of all the life events to plan for, you should spend the longest time on preparing for retirement.

If you're in your 50s or early 60s, you may increasingly be thinking more about retirement and how to plan for it. One of the most common dilemmas for people of this age is how to best fund their lifestyle once they've stopped work and maintain their pre-retirement standard of living. ◀

MEETING YOUR CHANGING NEEDS

It's never too late to start planning for your future, so it's good to know you'll have our support. We'll help you put a plan in place for the future you want – and as time rolls by, you'll keep receiving professional advice and solutions to meet your changing needs. To find out more, please contact us.

Source data:
[1] Freedom of Information request, Canada Life – 6 June 2019

NOT READY TO GIVE UP WORKING AND RETIRE?

ALMOST HALF OF UK EMPLOYEES EXPECT TO WORK BEYOND THE AGE OF 65

When you picture yourself in your golden years, are you sitting on a beach, hitting the golf course or working behind a desk? Not ready to give up working and retire? For those who find adjusting to retirement difficult, the transition can be made smoother by working. For many, working provides more than a salary. It provides happiness and purpose, and staying in the working world can provide many lifestyle benefits in addition to financial gains.

Not everyone wants to stop working when they reach State Pension age. Some of us still relish the stimulation of the daily routine, while others prefer to keep working for financial reasons. The good news is that there's no longer any requirement to call it a day at 65. In fact, most people can continue to work for as long as they want.

ILLEGAL TO DISCRIMINATE

This right is enshrined in law under the Equality Act 2010, making it illegal to discriminate on the basis of age in the workplace. Effectively, this means your employer cannot force you to retire or set a compulsory retirement age, unless it can clearly justify it.

Almost half of UK employees expect to work beyond the age of 65, but it is fear of declining health rather than a lack of funds that is keeping them in the workplace. In a recent global survey by Aegon[1], 48% of UK workers are planning to work beyond the age of 65, compared to just 22% of workers in France that expected to do so.

PURELY FINANCIAL REASONS

However, Britain is unlikely to have the oldest workforce in future, with 70% of workers in the Netherlands expected to be working at this stage of life. The survey also looked at the reason why people chose to continue working. Surprisingly, most people aren't staying in the workforce for purely financial reasons.

Over half of those in the UK (55%) who wanted to prolong their career said keeping active and keeping their brain alert was the most important benefit of continuing to work; a further 37% said they wanted to continue working because they enjoyed their job.

MAINTAINING GOOD HEALTH

The focus on maintaining good health and staying active through work tallies with people's concerns about later life. Declining physical health was cited as the largest retirement concern (48%), followed by fears of Alzheimer's or dementia (41%). Both elements of failing health were seen as more of a concern than running out of money (40%).

On average, workers in the UK expect to live to age 80 and to age 75 in good health, suggesting an expectation of spending five years in poor health. Only 28% of workers in the UK want a 'cliff edge' retirement where they stop working in one go – the lowest across Europe, and one of the lowest among the 15 countries surveyed.

TRANSITION INTO RETIREMENT

Workers in Spain, for example, are far more in favour of stopping work altogether and entering retirement, with 52% favouring this option. People are increasingly redefining their working years and time spent in retirement, choosing to blend work commitments with more free time as they transition into retirement. There's also a growing recognition that in addition to supporting our wealth, work can protect our health too.

An increasing State Pension age will explain why some see themselves having a longer working life, but the research shows an interesting association between health and remaining in paid employment. Today's generation of workers recognise that one of the best ways to protect their health is to remain active and that work can be part of an active life. ◀

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MAXIMISE YOUR RETIREMENT SAVINGS NOW

Working beyond retirement age can give you a sense of purpose and, of course, a salary. But it still pays to plan for retirement so you won't have to work if you don't want to – or if it becomes physically difficult to do so. And since most people stop working three to four years earlier than planned, it's beneficial to maximise your retirement savings now, especially during your early working years. To discuss your requirements, please contact us.

Source data:

[1] The Aegon Retirement Readiness Survey 2018 was produced by The Aegon Center for Longevity and Retirement (ACLR), in collaboration with nonprofits The Transamerica Center for Retirement Studies, which is based in the US, and Instituto de Longevidade Mongeral Aegon, which is based in Brazil.

ACLR's mission is to conduct research, educate the public and inform a global dialogue on trends, issues and opportunities surrounding longevity, population ageing and retirement security.

Over the last seven years, over 100,000 workers and retired people around the world have been asked to share their views about retirement and inform debates about helping people prepare for the future.

This year's report was based on the contributions from 14,400 workers and 1,600 retired people in 15 countries: Australia, Brazil, Canada, China, France, Germany, Hungary, India, Japan, the Netherlands, Poland, Spain, Turkey, the UK and the US.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY 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.

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RETIREMENT RESILIENCE

TAKING THE REINS AND HAVING MORE CONTROL OVER YOUR PENSION POT

Saving for retirement is one of our greatest financial priorities, especially as life expectancy is growing and retirements are likely to last longer. It may be the case that you'd prefer to take the reins and have more control over your pension pot. For appropriate investors, one option to consider is a Self-Invested Personal Pension (SIPP).

Please note that a SIPP is a type of Personal Pension, and the rules as to how much you can contribute to a SIPP are the same as a Personal Pension. Also, when it comes to taking the pension, the same rules apply to both a SIPP and a Personal Pension.

SAVING DISCIPLINE

A SIPP is a tax-efficient wrapper for your pension investments and gives you control of your pension, whereas most members of a company pension scheme have very little control and almost no idea where their pension money is invested. SIPPs enforce saving discipline until retirement since you cannot withdraw your money early.

Also, with many of the UK's largest companies closing their final salary schemes to all members, many members now have to look at taking their pensions into their own hands. You can make both regular and one-off payments into your SIPP, and even putting a small amount away early will make a difference to how much you will eventually have to fund your retirement.

EXTRA FLEXIBILITY

Once you reach 55, you can access your whole pension pot. You decide how and when to use the fund built up in your SIPP to provide you with an income. You can take up to 25% of your fund as a tax-free lump sum and use the balance to provide you with a pension through income withdrawal from your SIPP, or through the purchase of an annuity. You can also take a series of lump sums from your SIPP – it's flexible.

SIPPs can be opened by almost anyone under the age of 75 living in the UK. You can open a SIPP for yourself or for someone else, such as a child or grandchild. Even if you've already retired, you can still open a SIPP and take advantage of the extra flexibility that it gives you over your pension savings in retirement – but you may be limited by how much you can pay into it.

INVESTMENT CONTROL

SIPPs offer a wider investment choice than most traditional pensions based on investments approved by HM Revenue & Customs (HMRC). They give you the chance to pick exactly where you want your money to go and enable you to choose and change your investments when you want, giving you control of your pension and how it is organised.

Most SIPPs allow you to select from a range of assets, including:

- Unit trusts
- Investment trusts
- Government securities
- Insurance company funds
- Traded endowment policies
- Some National Savings & Investment products
- Deposit accounts with banks and building societies
- Commercial property (such as offices, shops or factory premises)
- Individual stocks and shares quoted on a recognised UK or overseas stock exchange

TAX TREATMENT

You receive tax relief upfront from the Government when you make contributions, which can feel like the Government is giving you money to save for your retirement. Currently, an investor can receive up to 45% tax relief when they make a personal contribution to a personal pension such as a SIPP, with 20% paid by HMRC to the pension and any higher and additional-rate tax relief reclaimable via your tax return. The tax treatment of pensions depends on your individual circumstances and is subject to change in future. ◀

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TIME TO TAKE CONTROL OF YOUR RETIREMENT PLANS FOR THE FUTURE?

A SIPP is not right for everyone, but the freedom it offers you compared to a traditional pension could far outweigh the extra time taken to run your own pension. To find out more about setting up a SIPP, please contact us and we'll arrange a meeting to discuss your requirements – we look forward to hearing from you.

Please note: you must pay sufficient tax at the higher and additional rates to claim the full higher-rate tax relief via your tax return.

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

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

CASHING OUT

PENSION CHANGES BROUGHT A WHOLE NEW RANGE OF OPTIONS TO CONSIDER

Unadvised retirees who are now able to dip into their pension are having to return to work to cope with juggling their finances, according to a new report[1]. Pension freedoms have given individuals control over how to spend their retirement savings, but a number of unintended consequences have emerged. Since rules governing how pensions can be taken were dramatically relaxed in 2015, more than a million over-55s have gone on a freedom-fuelled spending spree.

The pension changes brought a whole new range of options to consider. Individuals now have to think about whether they want an annuity, drawdown, cash or a combination of options; when to access their pension; if it is better to use savings first before drawing their pension; and so on.

However, it seems many don't really understand the consequences of these options. As a result, more than £23 billion has been 'cashed out' from the nation's pension pots via more than five million individual payments. The findings show the increase in retirees returning to the workforce since the introduction of pension freedoms four years ago is due to the number of options available and the lack of professional financial advice.

FACING FINANCIAL PRESSURE

A quarter of retirees who have returned to work since April 2015 say they were faced with financial pressure. Figures from HM Revenue & Customs show around one million over-55s withdrew a 25% tax-free lump sum from their pension in the last year, up 23% points from the 12 months prior.

There is a lot to think about when you're planning for retirement, and your circumstances will change over time, which is why it is important to obtain professional financial advice. There's no doubt the pension freedoms have been hugely popular, but for some retirees they have come at a high price. People now face more complicated decisions in retirement, and it's clear not everyone is getting it right.

SCALE OF THE PROBLEM

The figures also show other reasons for returning to work that include reigniting a sense of purpose and boosting social relationships. A report from the Pensions Policy Institute shows women particularly are continuing to struggle with pension savings. The average pension for a woman is currently £100,000 lower than for men.

Women's pension savings have historically been impacted by a combination of the gender pay gap, part-time working and the increased burden of childcare costs, but this figure lays bare the scale of the problem. ◀

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TIME TO CONVERT YOUR PENSION POT INTO RETIREMENT INCOME?

When you're coming up to retirement, you have lots of decisions to make, not least how to convert your pension pot into retirement income. With more freedom comes more choice, and it's important to obtain professional financial advice to help you decide what to do with your pension pot. To review your options, please contact us – we look forward to hearing from you.

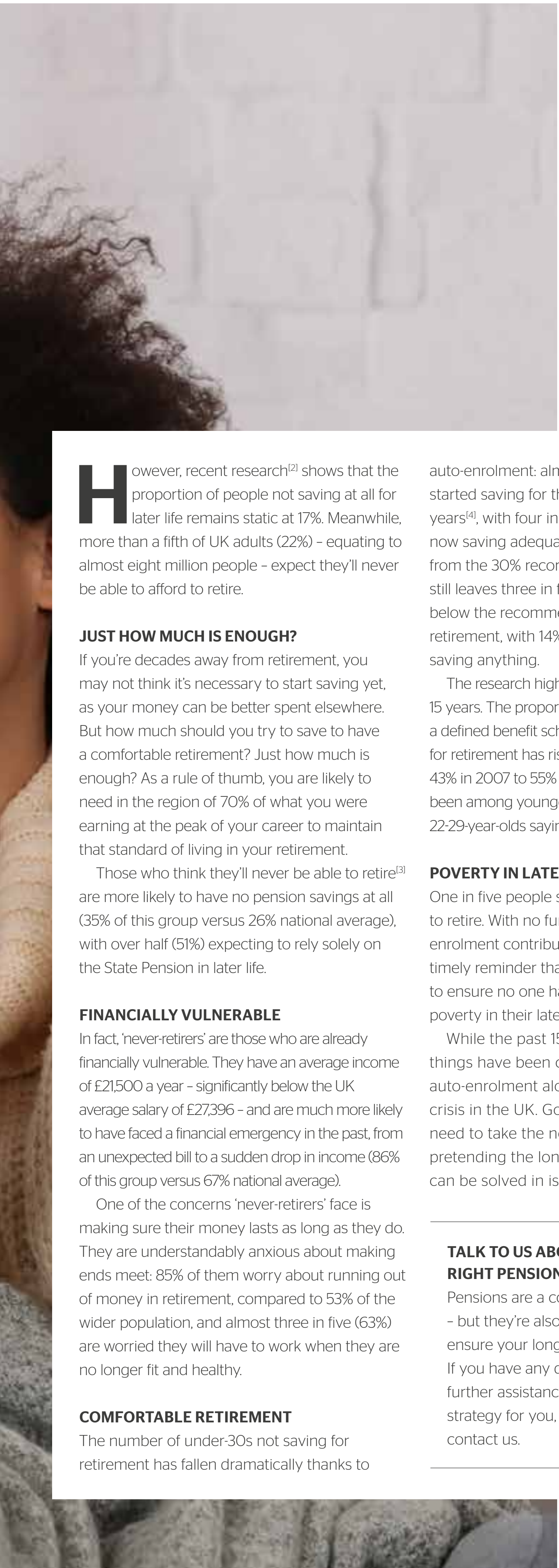
Source data:

[1] All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,028 adults, who have accessed their DC pension since 1 April 2015. Fieldwork was undertaken between 18 and 29 April 2019. The survey was carried out online for Zurich.

SAVING ADEQUATELY FOR THE FUTURE

HOW MUCH SHOULD YOU TRY TO SAVE TO HAVE A COMFORTABLE RETIREMENT?

The number of people saving enough for a comfortable retirement has hit its highest ever level, with almost three in five Britons (59%) now saving adequately for the future[1]. This is a significant improvement from the 55% proportion recorded 12 months ago, suggesting this April's auto-enrolment step-up had an immediate positive impact on saving habits.



However, recent research[2] shows that the proportion of people not saving at all for later life remains static at 17%. Meanwhile, more than a fifth of UK adults (22%) – equating to almost eight million people – expect they'll never be able to afford to retire.

JUST HOW MUCH IS ENOUGH?

If you're decades away from retirement, you may not think it's necessary to start saving yet, as your money can be better spent elsewhere. But how much should you try to save to have a comfortable retirement? Just how much is enough? As a rule of thumb, you are likely to need in the region of 70% of what you were earning at the peak of your career to maintain that standard of living in your retirement.

Those who think they'll never be able to retire[3] are more likely to have no pension savings at all (35% of this group versus 26% national average), with over half (51%) expecting to rely solely on the State Pension in later life.

FINANCIALLY VULNERABLE

In fact, 'never-retirers' are those who are already financially vulnerable. They have an average income of £21,500 a year – significantly below the UK average salary of £27,396 – and are much more likely to have faced a financial emergency in the past, from an unexpected bill to a sudden drop in income (86% of this group versus 67% national average).

One of the concerns 'never-retirers' face is making sure their money lasts as long as they do. They are understandably anxious about making ends meet: 85% of them worry about running out of money in retirement, compared to 53% of the wider population, and almost three in five (63%) are worried they will have to work when they are no longer fit and healthy.

COMFORTABLE RETIREMENT

The number of under-30s not saving for retirement has fallen dramatically thanks to auto-enrolment: almost half a million under-30s started saving for the first time in the last two years[4], with four in ten (40%) 22-29-year-olds now saving adequately. This is a significant uplift from the 30% recorded in 2017. However, this still leaves three in five young people saving below the recommended level for a comfortable retirement, with 14% of 22-29-year-olds not saving anything.

The research highlights progress over the last 15 years. The proportion of people who are not in a defined benefit scheme and saving something for retirement has risen from an average of just 43% in 2007 to 55% today. The biggest gains have been among younger people, with an 18% rise in 22-29-year-olds saying that they save for later life.

POVERTY IN LATER YEARS

One in five people say they'll never be able to retire. With no further step-ups in auto-enrolment contributions planned, this is a timely reminder that bold action must be taken to ensure no one has to face the spectre of poverty in their later years.

While the past 15 years have proved that things have been changed for the better, auto-enrolment alone won't avert a pension crisis in the UK. Government and industry need to take the next step together and stop pretending the long-term savings challenge can be solved in isolation. ◀

TALK TO US ABOUT THE RIGHT PENSION STRATEGY FOR YOU

Pensions are a complex financial product – but they're also a very important way to ensure your long-term financial security. If you have any questions, or require any further assistance to find the right pension strategy for you, don't delay – please contact us.

Source data:

[1] Scottish Widows deems minimum adequate retirement savings as 12% of an individual's income.

[2] The research was carried out online for Scottish Widows by YouGov Plc across a total of 5,036 adults aged 18+. Data is weighted to be representative of the GB population. Fieldwork was carried out 11–29 April 2019.

[3] Almost 8 million (7,826,626) calculated as 22% of the GB adult population (50,744,595) who do not expect they'll ever be able to afford to retire

[4] Almost half a million under-30s (473,920) started saving for the first time calculated as: 20% were non-savers in 2017, reducing to 14% in 2019. This difference is calculated as 6% of 22-31-year-olds (who were 29 in 2017) (7,898,680).

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PENSION SCAMMERS:

SPOT THE WARNING SIGNS

DON'T LOSE YOUR LIFE SAVINGS OR BE PERSUADED TO INVEST IN HIGH-RISK SCHEMES

Don't let scammers enjoy your hard-earned pension proceeds. Anyone can be the victim of a pension scam, no matter how savvy they think they are. It's important that everyone can spot the warning signs.

Latest figures show that nearly one in ten over-55s fear they have been targeted by suspected scammers since the launch of pension freedoms, new research[1] shows. Cold-calling has been used by fraudsters trying to steal life savings or persuade people to invest in high-risk schemes.

Some 10.9 million unsolicited pension calls and messages are made a year, according to Citizens Advice. The new research suggests people could fall for at least one of six common tactics used by pension scammers.

CLAIMS OF GUARANTEED HIGH RETURNS

These include pension cold calls, free pension reviews, claims of guaranteed high returns and exotic investments. They also include time-limited offers and early access to cash before the age of 55 that can tempt savers into risking their retirement income.

Exotic or unusual investments are high-risk and unlikely to be suitable for pension savings. But worryingly, nearly a quarter (23%) of the 45-65-year-olds questioned say they would be likely to pursue these exotic opportunities if offered them.

GAINING EARLY ACCESS TO PENSION MONIES

Helping savers to access their pensions early also proved to be a persuasive scam tactic. One in six (or 17%) of 45-54-year-old pension savers say they would be interested in an offer from a company that claimed it could help them gain early access to their pension monies. Of all those surveyed, 23% say they would talk with a cold caller who wanted to discuss their pension plans, despite the Government's ban on pension cold-calls this January.

The FCA and the Pensions Regulator have warned that 42% of pension savers, equivalent to five million people, could be at risk of pension scams. The study found 9% of over-55s say they have been approached about their pension funds by people they now believe to be scammers since the rules came into effect from April 2015. Offers to unlock or transfer funds are tactics commonly used to defraud people of their retirement savings.

BEING DEFRAUDED OF SAVINGS IS A MAJOR CONCERN

One in three (33%) of over-55s say the risk of being defrauded of their savings is a major concern following pension freedoms. However, nearly half (49%) of those approached say they did not report their concerns because they did not know how to report or were unaware of who they could report the scammers to.

Most recent pension fraud data[2] from ActionFraud, the national fraud and cybercrime reporting service, shows 991 cases have been reported since the launch of pension freedoms involving losses of more than £22.687 million.

APPROACHED BY SUSPECTED SCAMMERS

The research found fewer than one in five (18%) of those approached by suspected scammers had reported their fears to authorities. Nearly half (47%) said the approaches involved offers to unlock pension funds or access money early, and 44% said they involved transferring pensions.

About 28% of those targeted by suspected fraudsters were offered alternative investments such as wine, and 20% say they were offered overseas investments, while 13% say scammers had suggested investing in crypto-currencies. Around 6% believe they have been victims of fraud.

LUCRATIVE OPPORTUNITY FOR FRAUDSTERS

Pension freedoms, though enormously popular with consumers, have created a potentially lucrative opportunity for fraudsters, and people need to be vigilant to safeguard their hard-earned retirement savings. If it sounds too good to be true, then it usually is, and people should be sceptical of investments that are offering unusually high rates of return or which invest in unorthodox products which may be difficult to understand.

Retirement savers can report suspected frauds on the ActionFraud helpline 0300 123 1047 or online at www.actionfraud.police.uk/report_fraud, and more advice is available at www.thepensionsregulator.gov.uk/pension-scams or by calling the Pensions Advisory Service on 0300 123 1047. ◀

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KNOW THE WARNING SIGNS

It doesn't matter the size of your pension pot – scammers are after your savings. Get to know the warning signs, and before making any decision about your pension, be ScamSmart and check you are dealing with an FCA authorised firm. For further assistance, please contact us.

Source data:

[1] Consumer Intelligence conducted an independent online survey for Prudential between 23 and 25 February 2018 among 1,000 UK adults aged 55+ including those who are working and retired

[2] www.actionfraud.police.uk/fraud-az-pension-liberation-scam

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LOST PENSIONS

MAKE SURE YOUR PENSION SAVINGS DON'T GET LEFT BEHIND

The employment landscape has evolved significantly over the last few decades, and changing jobs multiple times before retirement is now very much the norm. Even if you have not had that many jobs, you may still have a number of different pensions to keep track of.

Nearly two thirds of UK savers have more than one pension, and changing work patterns mean that the number of people with multiple pensions will increase. People typically lose track of their pensions when changing jobs or moving home. The average person will have around 11 different jobs over their lifetime[1]. The Government predicts that there could be as many as 50 million dormant and lost pensions by 2050.

MULTIPLE PENSIONS

As a result, many people have multiple pensions set up, as they have been automatically enrolled into a new pension scheme each time they have started a new job. The scale of the UK's lost pensions was highlighted in the latest research carried out on behalf of the Association of British Insurers (ABI)[2].

In the largest study yet on the subject, the Pensions Policy Institute (PPI) surveyed firms representing about 50% of the private defined contribution pensions market. From this, PPI found 800,000 lost pensions worth an estimated £9.7 billion. It estimates that, if scaled up to the whole market, there are collectively around 1.6 million pots worth £19.4 billion unclaimed – the equivalent of nearly £13,000 per pot.

DIFFERENT EMPLOYERS

If you have accumulated a number of pension pots over the years from different employers, consolidating them could be appropriate. By bringing together all your different pension pots, it can help give you a clearer picture of your financial position, enabling you to make more informed decisions about your retirement savings.

Bringing together multiple pension pots could be a sensible move if you have a number of pension pots and want more control over your money or less hassle managing them. You may also be unhappy with the performance of a current provider, the choice of investments offered by them or the high fees.

VALUABLE BENEFITS

However, a pension consolidation is not always appropriate. It may not be sensible to consolidate your pensions if you are a member of a defined benefit pension scheme. If you transfer out of this type of pension, you may be giving up guaranteed benefits and potentially taking on greater risk.

Also, if you have a pension that comes with valuable benefits (for example, a pension that allows you to buy a higher income in the future via a 'Guaranteed Annuity Rate') or your pension provider charges high fees to transfer to another provider, pension consolidation may not be the right option. ◀

MAKING THE RIGHT CHOICES

Because there are both advantages and disadvantages associated with consolidating pension pots, it can be a complex decision to work out whether it's the best move to make, particularly if defined benefit plans are involved – you'll want to be sure you're making the right choices. That's where professional financial advice comes in – and we can help you on your way.

Source data:

[1] The Lost Pensions Survey includes data from 12 large insurers, covering around half of the defined contribution pensions market.

[2] The Association of British Insurers is the voice of the UK's world-leading insurance and long-term savings industry.

TRANSFERRING OUT OF A FINAL SALARY SCHEME IS UNLIKELY TO BE IN THE BEST INTERESTS OF MOST PEOPLE.

A PENSION IS A LONG-TERM INVESTMENT.

THE FUND VALUE MAY FLUCTUATE AND CAN GO DOWN, WHICH WOULD HAVE AN IMPACT ON THE LEVEL OF PENSION BENEFITS AVAILABLE.

PENSIONS ARE NOT NORMALLY ACCESSIBLE UNTIL AGE 55. YOUR PENSION INCOME COULD ALSO BE AFFECTED BY 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.

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

PAST PERFORMANCE IS NOT A RELIABLE INDICATOR OF FUTURE PERFORMANCE.

ANY LEVELS AND BASES OF, AND RELIEFS FROM, TAXATION ARE SUBJECT TO CHANGE.

ACCESSING PENSION BENEFITS EARLY MAY IMPACT ON LEVELS OF RETIREMENT INCOME AND YOUR ENTITLEMENT TO CERTAIN MEANS TESTED BENEFITS AND IS NOT SUITABLE FOR EVERYONE. YOU SHOULD SEEK ADVICE TO UNDERSTAND YOUR OPTIONS AT RETIREMENT.

FINANCIAL SUPPORT

LOOKING AFTER YOUR LIFESTYLE DURING A TIME OF UNCERTAINTY

Nobody wants to worry about how they'll pay the bills if they become sick or injured and can't work. But illness or injury can strike at any time and can lead to serious financial trouble. The latest government figures[1] report the dramatic increase in the likelihood of long-term sickness absence when we age, leading to an employment absence of four weeks or more.

This highlights a worrying increase in the probability of experiencing long-term sickness absence as we age. 3% of workers under the age of 45 experienced a long-term absence from work as a result of sickness in 2018. This doubled to 6% among the 45-and-over population. In 2018, 773,000 workers aged 45 and over had to take time off due to poor health, of which 59,000 subsequently left work completely.

HELPING SUPPORT YOU FINANCIALLY

There are more than ten million people in work in the UK aged 50 and above. This is more than ever before, and it is the fastest-growing employee population in the country. It is estimated that by 2025, the over-50s will represent one-in-three workers.

If appropriate to your particular situation, Income Protection Insurance can help support you financially if you have time off work and suffer a loss of earnings because of injury or illness. This type of insurance covers most illnesses that leave you unable to work. For example, it may cover you if you're unable to work due to a stress-related illness or a mental or physical health condition.

UNABLE TO WORK DUE TO ILLNESS OR INJURY

Income Protection Insurance only covers you if you're unable to work due to illness or injury – it does not pay out if you are made redundant. There are different types of Income Protection Insurance, but most are either Individual Income Protection Insurance (often called 'IP') or Employer Provided Income Protection Insurance (known as 'Group Income Protection' or 'GIP').

Individual Income Protection is taken out if you want to independently protect your income in the event of being unable to work due to illness or injury. Employer Provided Income Protection Insurance is a policy taken out by your employer to protect your income if you are unable to work due to illness or injury.

KEEPING ON TOP OF MONTHLY EXPENSES

If you or your employer buy an income protection policy, you will be paid a monthly income if you find yourself unable to work. You or your employer will pay a monthly premium to your insurer for your chosen policy, which will pay out after a pre-agreed waiting period.

Most policies have a pre-agreed waiting period. This is also known as the 'deferred' period. The waiting period is the time between being unable to work and the time at which you will begin receiving payments. Most people rely on their salary to keep on top of monthly expenses. Without this salary, you can be left in a difficult situation when having to cover rent, mortgage repayments or bills.

BEING OFF WORK FOR A PROLONGED PERIOD

Our lives these days are racked with financial worries, so having the safety net of a policy that pays out a regular income in the event that you're unable to work due to illness or injury could be just what you need to provide that valuable peace of mind.

Having Income Protection Insurance will mean that you can continue to pay your bills, rent or mortgage if you are unable to work. This protection will ensure you receive a monthly income for as long as you need to recover, so even if you have to be off work for a prolonged period, you can protect your finances and lifestyle. ◀

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DON'T LET YOUR WORLD TURN UPSIDE DOWN

Can you put a value on peace of mind? Being unable to work can quickly turn your world upside down. The lifestyle you've worked so hard to achieve could be at risk. We can advise you how to protect your income, your family and your business – speak to us directly and we'll explain your options.

Source data:

[1] https://www.gov.uk/government/statistics/health-in-the-workplace-patterns-of-sickness-absence-employer-support-and-employment-retention

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