# PROTECT & GROW

SPRING 2022 | ISSUE 10

## CREATE A BETTER WORLD TO LIVE AND RETIRE IN

Pension investments to harness a more sustainable planet

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KINGSWOOD
PROTECT AND GROW YOUR WEALTH

# CREATE A BETTER WORLD TO LIVE AND RETIRE IN

## PENSION INVESTMENTS TO HARNESS A MORE SUSTAINABLE PLANET

Few people are aware of what their workplace pension invests in, let alone how their pension provider incorporates Environmental, Social and Governance (ESG) matters into the process.

Almost two-thirds (64%) of UK pension holders say they didn't know their pension could be invested in ways to help fight climate change. One in six (17%) of UK pension holders currently invest their pension responsibly, but 41% say they would like their pension to be invested responsibly, new research has revealed[1].

### COLLECTIVE POWER

Over three-quarters (77%) of UK adults class themselves as 'climate conscious'. Three out of five (59%) UK adults are familiar with the term 'responsible investment', but only 26 per cent actually know what it means and understand its collective power to protect the planet. Men are more likely to be familiar with the term 'responsible investment' than women (69% vs 50%).

More than half (56%) of pension holders said they would consider investing a portion of their pension responsibly. Around a quarter (23%) were willing for at least half their pension to be invested responsibly, with one in ten (11%) wanting between 90% and 100% of their pension invested responsibly.

### PROTECTING THE ENVIRONMENT

With over half (57%) of 18-24-year-olds wanting their pension investments to harness a more sustainable planet, compared to just over a quarter (29%) of 65-year-olds and over, it's clear there is still more that can be done to build a better understanding of inter-generational financial resilience for the future.

Pension holders were also asked what criteria they would like a responsibly invested pension to consider, with climate change and protecting the environment (42%) being highly rated. Social factors such as health and safety (29%) and use of plastic (28%) followed closely behind. The research also found that more than half (53%) of pension holders do not know how their pension funds are invested.

**DOING THE RIGHT THING FOR A SUSTAINABLE FUTURE**

Ethical investing has a positive impact on the world while also aiming to make a profit. It also means you receive a financial return without sacrificing your social, moral or religious principles. Many pension providers offer ethical funds for their investors – meaning you can save for retirement with a clear conscience. **Please contact us for more information.**

**Source data:**

*[1] Royal London commissioned survey by Opinium between 18 and 22 October 2021, with a sample of 2,000 nationally representative UK adults.*



# WELCOME

**WELCOME TO** the Spring issue of *Protect & Grow* from Kingswood. Inside this edition we look at a number of different topics to help you make the most of your money, so whatever your plans, with the right professional advice we could help bring them to life.

Ethical investing has a positive impact on the world while also aiming to make a profit. It also means you receive a financial return without sacrificing your social, moral or religious principles. But few people are aware of what their workplace pension invests in, let alone how their pension provider incorporates Environmental, Social and Governance (ESG) matters into the process. In fact almost two-thirds (64%) of UK pension holders say they didn't know their pension could be invested in ways to help fight climate change. Turn to page 02 to read the full article.

The government has set out its vision for the future of adult social care. On page 04 we explain the new plans announced for adult social care reform in England. This includes a lifetime cap on the amount anyone in England will need to spend on their personal care, alongside a more generous means test for local authority financial support. Planning for the long term can help ensure you have sufficient income to pay for any care you, or an elderly relative, might need in later life.

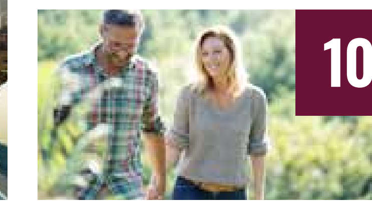
Is your wealth protected from the damaging effects of inflation? Many people underestimate the damaging effect of low interest and high inflation on their cash savings. A continued period of low interest rates on cash savings and rising inflation could pose a real risk to savers in 2022, even if the Bank of England (BoE) moves to increase interest rates further in the coming months. Read the full article on page 05.

The COVID-19 pandemic has affected every part of our lives and continues to have a widespread impact across all aspects of financial life. This includes retirement plans. On page 09 we look at how life in lockdown has prompted many people to adjust their priorities, for example, to move nearer to family, take staggered retirement or retire earlier.

**Need help understanding the intricacies of wealth?**
At Kingswood we have an in-depth understanding of the intricacies of wealth. We're here to help you create a secure financial future for yourself and your family with a personal financial plan and investment strategy that continuously meets your needs as your circumstances change over time. For more information or to find out more, please contact us.

**David Lawrence –** UK CEO






# INSIDE THIS ISSUE



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# ADULT SOCIAL CARE CHARGING REFORM

## WHAT WILL THE GOVERNMENT'S PROPOSALS MEAN FOR THE SOCIAL CARE SYSTEM?

The government has set out its vision for the future of adult social care. New plans were announced on 7 September 2021 for adult social care reform in England. This included a lifetime cap on the amount anyone in England will need to spend on their personal care, alongside a more generous means test for local authority financial support.

From October 2023, the government will introduce a new £86,000 cap on the amount anyone in England will need to spend on their personal care over their lifetime. In addition, the upper capital limit (UCL), the point at which people become eligible to receive some financial support from their local authority, will rise to £100,000 from the current £23,250.

### MEANS-TESTED SUPPORT

As a result, people with less than £100,000 of chargeable assets will not be required to contribute more than 20% of these assets per year. The UCL of £100,000 will apply universally, irrespective of the circumstances or setting in which an individual receives care.

The lower capital limit (LCL), the threshold below which people will not have to pay anything for their care from their assets, will increase to £20,000 from £14,250.

To allow people receiving means-tested support to keep more of their own income, the government will unfreeze the Minimum Income Guarantee (MIG) for those receiving care in their own homes and Personal Expenses Allowance (PEA) for care home residents, so that from April this year they will both rise in line with inflation.

### PEOPLE IN CARE HOMES

The cap will not cover the daily living costs (DLCs) for people in care homes, and people will remain responsible for their daily living costs throughout their care journey, including after they reach the cap. For simplicity, these costs will be set at a national, notional amount of £200 per week.

DLCs are a notional amount to reflect that a proportion of residential care fees are not directly linked to personal care, for example, rent, food and utility bills, and would have had to be paid wherever someone lives.

### KEEPING INCOME AND ASSETS

This is in line with the Commission on Funding of Care and Support's 2011 recommendation. The £200 level is £30 less than a proposal set out in 2015, ensuring people get to keep more of their income and assets.

At this stage, it is too early to say what the end result may be for the proposed adult social care reform in England. As the bill now moves forward to public consultation this year, we'll be watching closely and will be providing further updates to ensure you are kept fully up to date.

**GET FINANCIAL ADVICE ON HOW TO FUND YOUR LONG-TERM CARE**
We all want the best possible long-term care for ourselves or our loved ones. Planning for the long term can help ensure you have sufficient income to pay for any care you, or an elderly relative, might need in later life. **Speak to us to find out how we can help you.**



# IT MAY BE TIME TO INVEST YOUR CASH

## IS YOUR WEALTH PROTECTED FROM THE DAMAGING EFFECTS OF INFLATION?

Many people underestimate the damaging effect of low interest and high inflation on their cash savings. A continued period of low interest rates on cash savings and rising inflation could pose a real risk to savers in 2022, even if the Bank of England (BoE) moves to increase interest rates further in the coming months.

Savers with large amounts of money sitting in cash should not be lulled into a false sense of security if interest rates creep up, because of the threat of higher inflation throughout 2022. The damaging effects of high and rising inflation will likely more than wipe out any uplift a higher interest rate will give to the value of cash savings. Currently, 8.6 million consumers hold over £10k of investable assets in cash[1].

### INTEREST 'BASE RATE' INCREASE

Prices have risen sharply in the UK in recent months, and are higher than a year ago. The rate of inflation went up quickly in 2021. The BoE[2] expect it to reach over 7% by spring 2022 and then start to come down after that. That's because most of the causes of the current high rate of inflation won't last, according to the BoE. It's unlikely that the prices of energy and imported goods will continue to rise as rapidly as they have done recently. And this means that inflation will decline.

The BoE expects it to be much closer to their 2% target in two years' time. But even though the rate of inflation will slow down, the prices of some things may stay at a high level compared with the past. The BoE can't do anything about the supply problems or the energy prices that are currently pushing up inflation. But they do have tools to make sure inflation comes back down if we find that the price rises we are seeing now become persistent.

### DAMAGING HIGH INFLATION

The threat of inflation this year and beyond could far outweigh any small changes in interest rates for those with large amounts of money in cash savings. Following many years of low inflation, people may have forgotten how damaging high inflation can be. But in the coming months and years, savers should think carefully about where they put any additional cash that is not needed in the short term.

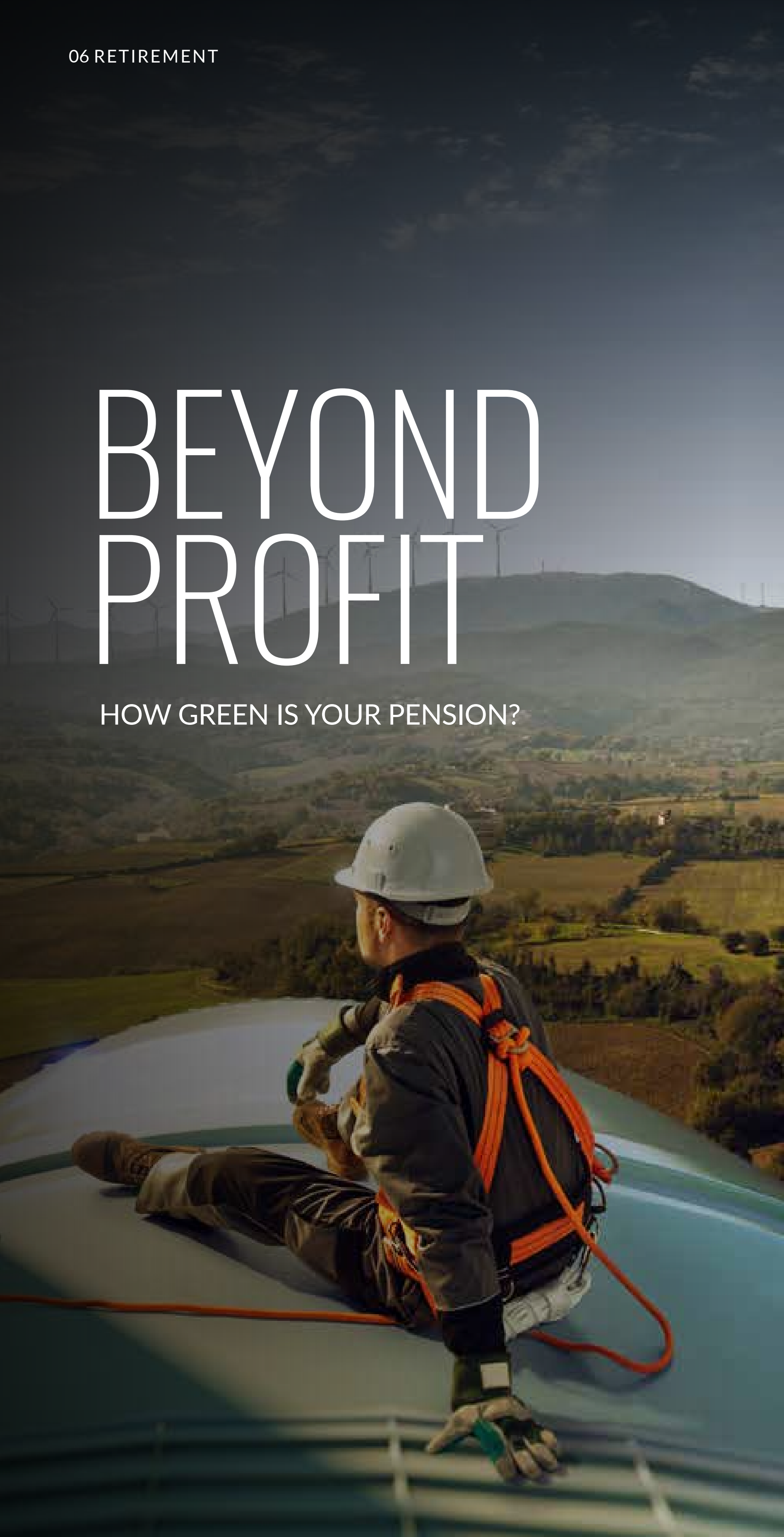
For money beyond your emergency fund, you may want to consider investing, which offers the potential for inflation-beating returns. If appropriate to your particular situation, you should be prepared to take some risk to preserve the value of your money if inflation continues to eat away at the value of your cash in savings accounts. We are best placed to recommend the best investment option based on your attitude to risk.

**CONCERNED ABOUT HOW INFLATION IMPACTS ON YOUR SAVINGS?**
After years of staying relatively low, it looks like inflation is on the up. So what does that mean for your money? To discuss how to mitigate the impact of inflation on your financial plans, **please contact us – we look forward to hearing from you.**

**Source data:**

*[1] https://www.fca.org.uk/publications/corporate-documents/consumer-investments-strategy*

*[2] https://www.bankofengland.co.uk/knowledgebank/will-inflation-in-the-uk-keep-rising*



# BEYOND PROFIT

## HOW GREEN IS YOUR PENSION?

The consequences of inaction on climate change are now impossible to ignore. Every company has an impact on the world around us. And by investing in them, so do we.

Devastating wildfires ripping through several countries, the aftermath of Storm Ida that caused unimaginable flooding across the northeast of the US, storm Arwen that brought disruption to the UK in November and last August's 7.2 magnitude hurricane in Haiti – all are examples of natural disasters due to climate change.

Increasingly more and more pension savers are asking where their funds are invested. Many people are no longer just concerned about getting the best returns, they also want their money to be used in a way that helps society and the planet.

### CLIMATE RISKS

A survey finds that a third of pension schemes have already set targets to reduce their exposure to climate-related risk[1]. 61% of schemes have considered setting a target to reduce their exposure to climate risks, but four in ten schemes have yet to consider climate risk targets and 28% say they will not be setting a target.

Of the 33% of schemes that have set or are in the process of setting a target, half have included an emissions-based target with the majority (70%) of these being a 'net zero' target.

### PENSIONS INDUSTRY

UK pension schemes are a massive influence on the financial services industry, including how the climate-related risks and opportunities are identified, assessed and managed. This survey shows that the pensions industry is rising to the defining challenge of our age.

In another survey, two-thirds (67%) of consumers surveyed believe that it is important to consider Environmental, Social and Corporate Governance (ESG) factors before investing, and this figure rises to almost three in four (72%) for those respondents with a pension[2].

### RESPONSIBLE INVESTING

ESG is an evaluation of a firm's collective conscientiousness for social and environmental factors. Interestingly, females are more likely to consider ESG investing at 70.4% than males at 63.9%, and its importance is broadly similar across all age cohorts.

While 51% of those with pensions would like to increase their investment in companies that are tackling climate change, some 70% of those respondents acknowledged the need to better understand the benefits of responsible investing, highlighting the fact that there is an onus on the industry participants to educate consumers in this space.

### INVESTMENT DECISION

More than half (53%) of those surveyed believe that it is important that a company has a positive record of social responsibility and good corporate governance, rising to 60% of those with a pension.

The survey also explored the factors that are important to consumers when considering investing sustainably. Most respondents (75%) indicated that they would need good financial advice before making their investment decision, rising to 78% for those with a pension.

### ONLY IF RETURNS SAME OR BETTER

Two-thirds (67%) said they would only invest their pension sustainably if the returns were the same or better (71% of pension holders), and 64% said they would only consider doing so if they are not paying higher fees and charges (68% for pension holders).

Some 51% of those pension holders surveyed said they would like to increase their pension savings into companies helping to combat climate change, and only 20% of all respondents (17% of those with a pension) said that investing sustainably is more important than investment returns.

**MAKE SURE YOU'RE INVESTING IN THE FUTURE AS WELL AS FOR YOUR FUTURE**
Do you want to align your financial goals with your values? Your retirement savings could be funding climate change. Investing in socially responsible investments can help you to achieve your goals while focussing on the environment, social values and good governance. To discuss your options or any retirement concerns you may have, **please contact us.**

**Source data:**
*[1] The Association of Consulting Actuaries 2021 Pension trends survey was conducted in the summer of 2021 and attracted 212 responses from employers of all sizes, running over 400 different schemes*

*[2] Aviva Life & Pensions Ireland DAC (Aviva), research of the 1,200 people surveyed 20.08.21*

**A pension is a long-term investment not normally accessible until age 55 (57 from April 2028 unless 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.**

# TIME TO BRING YOUR PENSIONS TOGETHER?

## 3.6 MILLION BRITONS HAVE LOST TRACK OF THEIR PENSION SAVINGS

The more old pensions you have, the easier it is to end up losing one. Tracing pensions from years ago can be a hassle. Over 3.6 million Britons admit they have no idea how many pensions they have and risk paying more in fees than necessary, according to new research[1].

The number of workers with small pension pots of under £1,000 has surged dramatically in recent years, as auto enrolment has allowed millions of people to benefit from workplace pensions for the first time.

### PAYING FEES TO MULTIPLE PROVIDERS

However, with the average employee now changing jobs 11 times[2] in their working life, people are increasingly building up many small pots and are often losing track, misplacing paperwork or forgetting about previous schemes they are invested in.

The Pensions Policy Institute (PPI) predicts the number of small pots will triple by 2035 to 27 million[3]. Although the government's Pension Dashboard will allow people to see all of their pensions in one place when it comes into effect in a few years' time, it will not solve the problem of savers paying fees to multiple providers across all their pensions.

### CONSOLIDATE SMALL PENSION POTS

While savers already have the option of combining their pensions, one in ten (10%) have no idea how to do this, while 12% say it's just too much hassle. As a result, more than two-fifths (44%) say they've never bothered to track down savings from a previous employer.

Almost three-quarters (72%) of Britons now support the introduction of a new system that would automatically consolidate small pension pots as they move jobs, reinforcing strong support from the industry for the change. This would make it easier for people to manage and keep track of their retirement savings, while making the system more efficient and effective for the UK's 33 million[4] pension holders.

### COMPARE THE FEATURES AND BENEFITS

Even if you have not had that many jobs, you may still have a number of different pensions to keep track of. Pensions can be confusing, but there is an alternative way to help keep on top of them. Pension consolidation may allow you to combine some or all of your defined contribution pensions in one place.

Consolidating your pensions means fewer statements to keep an eye on, along with fewer and potentially lower management charges. However, not all pension types can or should be transferred. It's important that you know and compare the features and benefits of the plan(s) you are thinking of transferring. It can be a complex decision to work out whether you would be better or worse off combining your pensions, so it's essential to obtain professional financial advice.

**HELPING YOU STAY ON TRACK FOR THE FUTURE YOU WANT**
Deciding whether to combine your pensions can be a complex decision and is not for everyone. Whether you want to consolidate into an existing pension you have with us, or you want to combine your existing pensions in a new pension, we are here to help. **Speak to us today and make sure your plans are on track for the future you want.**


**Source data:**

*[1] The research was carried out online by Opinium across a total of 5,010 adults aged 18+. Data is weighted to be representative of the GB population. Fieldwork was carried out between 12–18 March 2021.*

*[2] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945319/s mall-pots-working-group-report.pdf*

*[3] https://www.pensionspolicyinstitute.org.uk/media/3545/20200723-deferred-members-final-report-for-the- website.pdf*

*[4] Finder, Pension Statistics 2021*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**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.**



# ACROSS THE GENERATIONS

## PANDEMIC FORCES PEOPLE TO REASSESS THEIR FINANCES

The COVID-19 pandemic has affected every part of our lives and continues to have a widespread impact across all aspects of financial life. This includes retirement plans. Life in lockdown prompted many people to adjust their priorities, for example, to move nearer to family, take staggered retirement or retire earlier.

Over the past twenty months, life has looked and felt very different for many of us. A lot of what was previously taken for granted and routine has been challenged and changed in unanticipated ways. The pandemic has also forced many people to reassess their finances, access their pension pots and bring forward or change their retirement plans.

### POLARISING IMPACT OF THE PANDEMIC

More than half (54%) of UK adults say the impact of the COVID-19 pandemic has affected their plans to retire, according to new research. The findings lay bare the polarising impact of the pandemic and its stop-start effect on people's future plans.

While some people envisage retiring earlier and have gained confidence about living comfortably once they retire, nearly one in five (18%) feel less secure about their financial future, peaking at more than one in four (27%) aged 35 to 44.

### LOCKDOWNS USED TO SAVE MORE FOR RETIREMENT

Across the generations, the 35 to 44 age group are the most likely (68%) to have felt some impact on their retirement plans from the pandemic. This has been positive for some, including one in ten who used the lockdowns to save more for their retirement.

But almost one in six people (14%) aged between 35 and 44 anticipate their retirement date may be pushed back, while 16% have lost confidence in their ability to live comfortably once they have retired.

### PEOPLE QUESTIONING WHAT'S IMPORTANT IN LIFE

The findings show nearly three in five (59%) people feel the pandemic has made them question what's important in life, while half said it has changed their priorities. However, the research reveals a nation polarised when it comes to deciding its own destiny.

While 41% say the pandemic has made them feel they can take more control of their priorities, the same proportion (41%) say they have less control than they did before.

### SUSPENDED OR CANCELLED A PLANNED LIFE EVENT

When it comes to their finances, more than two in five UK adults (41%) say life during COVID-19 has encouraged them to build more long-term savings. People aged between 35 and 44 are most likely to feel compelled to save more for their futures (54%), followed by 51% of those aged 25 to 34.

However, 27% overall say they feel less comfortable about coping with unforeseen events than they did before the pandemic. This includes 29% of those aged 44 to 54 and 24% of over-55s. The findings also show more than half (53%) of UK adults have suspended or cancelled a planned life event during the pandemic.

### SEEKING TO PROGRESS FUTURE AMBITIONS MORE QUICKLY

Among those affected, almost one in six (16%) have held back from starting a new job; 13% have postponed buying a new house; 12% have thought twice about starting a new business; one in ten (10%) have pressed pause on trying for a baby; and the same (10%) have postponed getting married.

Despite more than half (54%) of people feeling that life has been 'put on hold' during the pandemic, many are now seeking to progress more quickly with their future ambitions. Among this group, 19% are fast-tracking a move to a new job; 13% will start a new business; and 13% are trying for a baby.

### MAKING LIFE-CHANGING FINANCIAL DECISIONS

It's always important to think ahead to retirement and plan for the future, and even more so now that we have to deal with the impact on our finances due to the coronavirus crisis. It's important not to rush into making life-changing financial decisions before obtaining professional financial advice first.

Making the right investment decisions can help you increase your financial security and provide income that you can use to live comfortably after you stop working. If you don't have an income strategy or are unsure of what it is, now is the time to talk to us.

**TIME TO REVIEW YOUR PENSION AND RETIREMENT PLANS?**
When was the last time you reviewed your pension? Do you know how much you've put aside for your retirement and do you know how well those investments are performing? We will ensure you are making the best informed decisions for your situation and retirement plans. **To discuss how we can help you, please contact us.**

# HOW MUCH INCOME WILL YOU RECEIVE FROM **YOUR STATE PENSION?**

## KNOWING WHAT TO EXPECT CAN BE AN IMPORTANT PART OF PLANNING FOR LIFE AFTER WORK

How much do you think you'll need to fund your retirement? Of course, the answer to that question will depend on what you want to do when you stop work. Worryingly, almost half of non-retirees (46%) are unable to identify how much they believe retirees receive annually from their State Pension, according to a survey[1].

Only 53% knew that retirees receive around £9,000 per year from their State Pension, with those aged 55 and over being more likely to identify correctly how much retirees receive (70%), compared to only 40% of those aged between 18 and 34.

### SAVING IN A PENSION

The survey also showed that over half of non-retirees with a pension are worried that they are not saving enough for their retirement (56%), with only one in five (21%) confident that the amount they are saving in a pension is enough to let them live the lifestyle they want when they stop working.

In fact, three-quarters (75%) of non-retirees say they believe they could save extra into their pension to boost their pension savings, with the average additional contribution being £68 per month.

### ADDITIONAL CONTRIBUTIONS

One in six (17%) say they could only pay in less than £25, just over a quarter (26%) say they could pay in £25 to £50 in additional contributions, while a further quarter (25%) say they could pay in between £51 and £200 in additional contributions. Seven per cent say they could pay in more than £201 per month in additional contributions.

Most people in the UK who work or undertake caring responsibilities will be eligible for a full State Pension if they have worked and paid National Insurance contributions or been a carer for 35 years. In 2021/22, the full level of the new State Pension is currently £179.60 a week (£9,339.20 a year).

### RELY ON THE STATE PENSION

But the research finds that the majority of the public (78%) do not know how much new retirees with a full State Pension will receive. As could be expected, older people and those who are retired tend to have the highest awareness, with almost half (46%) of those aged 65 and over and two in five retirees (43%) saying they are aware how much retirees will receive from a full State Pension.

However, even among these groups, many are unaware of the amount that retirees receive (54% of those 65+ and 57% of those who say they are retired). When asked if savers plan to rely on the State Pension come retirement, just over a third (36%) said that they expect to rely on it as their main source of income, especially those aged between 55 and 64 (49%). However, one in five said that they remain unsure what they will rely on in retirement (18%).

### ADEQUATE INCOME IN RETIREMENT

Furthermore, younger people (those aged between 18 and 34) and those with other types of pension are less likely to say they will rely on the State Pension as their main source of income (26% and 31% respectively).

For many people, the best way to provide an adequate income in retirement is to save gradually throughout their entire working life and save what they can afford. However, depending on their financial circumstances, some may prefer to save less when they are younger and more when they are older, especially if they expect to receive an inheritance before they retire.

### OPTIONS TO ADD TO YOUR NEST EGG

Unfortunately, many of us struggle to put enough into our pension pot during our working lives because the costs of buying a house, raising a family and covering day-to-day living expenses eat into disposable income.

The earlier you start retirement planning, the better. However, with the demands of managing a busy working and personal life, this is something that can understandably be neglected. But it's never too late to think about saving for retirement – even if you are planning to give up work in just a few years' time, you will have options to add to your nest egg.

**LEFT YOUR PENSION UNTIL THE LAST MOMENT?**
Retirement need not be at a fixed time. A growing number of people are opting to phase their retirement, whether by reducing working hours at their existing job, by moving to a new part-time job or by starting their own business. To find out more about how we can help you plan for the retirement you want, please speak to us – we look forward to hearing from you.

**Source data:**

*[1] Pensions and Lifetime Savings Association (PLSA) – a total of 2,075 people took part in the nationally representative survey, carried out by Yonder Consulting. The survey took place between 25 August and 26 August 2021.*

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**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.**

# COULD EQUITY RELEASE **FUND YOUR FUTURE?**

## FREEING UP FUNDS OR RELEASING MONEY TIED UP IN YOUR HOME

For some people, using their home in the future to fund their retirement is likely to become more commonplace, whether that's by downsizing to free up funds or releasing money tied up in their home through products like lifetime mortgages.

Homeowners could release some of the equity from their property to top up their retirement savings, through a process known as 'equity release'. Using equity release for retirement income isn't an equal replacement for pension savings, but if you've got a shortfall, then releasing money from your home may help you reach your retirement goals.

### HOME VALUE

Analysis has highlighted that homeowners in 53% of areas in England & Wales could access more from the value of their home than is saved in the average pension pot (£61,930)[1] by using equity release, according to analysis and based on median local house price data from the Office for National Statistics (ONS)[2].

Homeowners in England and Wales could release on average £72,988 worth of equity from their homes, an average increase of £14,000 in just five years due to a 24% increase in median house price values since 2016.

### PRICE GROWTH

Ongoing house price growth has led many homeowners to consider the role their property might play in their long-term financial planning. One in seven pre-retired over-50s (16%) plan to use their property wealth to boost their finances via products like lifetime mortgages, a type of equity release, or via downsizing. However, an additional 13% said a significant increase in the value of their property could also persuade them to do so.

In recent years, we have seen house prices increase to the extent that they will have become the most significant asset available to many UK homeowners. The average UK property price has hit a new record high of £272,992, with growth now at 15-year high[3].

**UNLOCKING CASH FROM YOUR HOME TO ENJOY A MORE COMFORTABLE RETIREMENT**

Needing an extra financial boost in retirement is becoming more and more common. Releasing equity from your property is a big decision. We understand that and we're here to support you. **To find out more, please contact us for more information.**

**Source data:**

*[1] Refers to an average pension pot of a pre-retired person over 50. Opinium survey of 2,160 UK over-50s in the UK who have not retired between the 9 and 13 August 2021*

*[2] Office for National Statistics, House price statistics for small areas in England and Wales: year ending March 2021, Nov 2021*

*[3] The Halifax House Price Index (IHS Markit), November 2021*

**Think carefully before securing other debts against your home. Your mortgage is secured on your home, which you could lose if you do not keep up your mortgage payments.**

**Equity release may involve a home reversion plan or lifetime mortgage which is secured against your property. To understand the features and risks, ask for a personalised illustration.**

**Equity release requires paying off any outstanding mortgage. Equity released, plus accrued interest, to be repaid upon death or moving into long-term care. Equity release will affect the amount of inheritance you can leave and may affect your entitlement to means-tested benefits now or in the future.**

**Check that this mortgage will meet your needs if you want to move or sell your home or you want your family to inherit it.**

**If you are in any doubt, seek professional financial advice.**



# MIND THE **PENSION GENDER GAP**

## WOMEN ARE BEING URGED TO THINK ABOUT THEIR LONG-TERM SAVINGS

Imagine reaching retirement age and discovering that, despite years of saving, you don't have enough money to get by. Worse still, suppose you're unable to pay for the right kind of care in your old age.

And what if you and your partner separate or your spouse dies unexpectedly – will you have sufficient funds to see you through retirement? Now, all of these might sound like worst-case scenarios but, unfortunately, for women right across the UK one or more of them could become a reality.

### EARNING TRENDS

Women are still behind men when it comes to retirement savings. The 'Women and Retirement' report[1] has found that if current work and earning trends continue, young women today will need to save an average of £185,000 more during their working life to enjoy the same retirement income as men.

The colossal gender pension gap is made up of a savings shortfall, plus the need to fund a longer retirement because women on average live longer than men. This also leads to higher care costs. Many women will naturally take time off to start a family – resulting in gaps in their work history. And even if women remain in the workforce, some still tend to earn less than men, on average.

### VULNERABLE SITUATION

21% of women surveyed said they plan to rely at least partly on their partner's income in retirement. However, this can leave women in a particularly vulnerable situation should they separate from their partner.

Right now, it's rare for divorce settlements to account for pension assets, which means that women could end up in particularly unstable financial situations following divorce.

### FUNDING RETIREMENT

Also, women tend to live longer than men – two to three years, on average. Indeed, this continued rise in longevity means that a 25-year-old man today can expect to live to 86, while a woman can live to 89.

And while rising longevity is of course a good thing, it does raise specific challenges – especially when it comes to funding retirement and old age.

### LIVING LONGER

Together with living longer, women are also more likely to need care when they're older. In fact, of the 6 million people in the UK over the age of 60 currently living with a disability, 3.5 million of them are women.

And those women who do need care spend on average a year longer in care homes than men. Right now, the average cost of care is £679 per week, which means women would need an extra £35,000 during retirement for residential care costs.

Moreover, as women can expect to live two to three years longer than men, they would also need around £50,000 for their retirement – bringing the total amount needed to match a man's retirement income to £185,000.

**CONCERNED ABOUT THE PENSION GAP?**

As a woman, your pension is a key part of your retirement planning. How much you put away now, how you invest for the future and how you choose to access your pension once you've stopped working, are all key considerations for anyone hoping to enjoy a long and happy retirement. **If you have any concerns or questions about your retirement plans, please contact us for more information.**

**Source data:**

*[1] Scottish Widows 2021 'Women and Retirement' report – research carried out online by YouGov Plc across a total of 5,059 adults aged 18+. Data weighted to be representative of the GB population. Fieldwork was carried out between 23 March and 3 April 2021 through an online survey. 5,059 interviews were carried out. The sampling criteria were based on four key metrics: age, gender, region and social grade.*

**A pension is a long-term investment not normally accessible until age 55 (57 from April 2028 unless 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.**

# LIVE SUSTAINABLY: HOW TO BE A CONSCIOUS CONSUMER

## THE EVERYDAY CHOICES WE MAKE ALL HAVE IMPACTS ON OUR PLANET

Our changing climate is making it harder to live in many parts of the world, often affecting some of the most disadvantaged communities. People are starting to realise that change is imminent and necessary.

Every little thing we do daily has an impact on the planet, from our dietary choices to the cars we drive. The good news is that every small change to our lifestyle can contribute to having a less negative impact on the environment.

### POSITIVELY IMPACT SOCIETY

New research has highlighted that many UK adults admit they would live more sustainably if it was more affordable[1]. Seven in ten (71%) UK adults surveyed say they would live more sustainably if they knew it wouldn't cost them any more money.

Those surveyed as part of the in-depth study, which looks at the conscious decisions individuals make to positively impact society, found that three in five (61%) UK adults say they do spend money on goods or services that they know are ethical or sustainable. Of these, 43% can put a price tag on how much they are spending, which is on average of £51.90 per month – the equivalent of £622.80 per year.

### MORE SUSTAINABLE CHOICES

Almost a quarter (23%) say they spend up to £50 per month per person. While one in five (20%) say they spend more than £50, and one in ten (10%) spend more than £100 every month. When asked whether living consciously should cost more money, or whether individuals should be incentivised or rewarded to live in this way, more than a fifth (22%) felt they should be rewarded and/or incentivised.

More than a quarter (28%) believe everything is expensive enough. And one in five (19%) simply can't afford to pay any more. One in five (21%) think we should all pay to protect the planet for future generations, while 9% admitted they would be happy to pay a higher price for goods and services if it meant more sustainable choices and products would be available.

### MAKE ETHICAL PURCHASES

Those aged between 25 and 35 are more likely to make ethical purchases despite it being more expensive, compared to any other age group. While those aged 55 to 64 are the least likely (15% vs 3%). Those who earn a larger income are also more likely to make ethical purchases, with 48% of those earning more than £100k happy to spend more on sustainable brands in comparison to 5% of those earning less than £20k.

When it comes to parents, there are also interesting patterns, with those who have children under 18 spending £91.70 per month per person more to make sustainable choices. This is in comparison to parents with children over 18, who spend an extra £21.20.

### SUPPORT THE PLANET

In the UK, billions of pounds are held in pensions and savings. Looking more closely and asking where your savings are being invested, and what they are supporting, can go a long way to ensuring you're investing responsibly.

Doing this could help if you want to do more to support the planet and make a positive impact, without it having to cost you the earth.

**LOOKING TO MAKE A POSITIVE CONTRIBUTION TO SOCIETY OR THE ENVIRONMENT?**
If you are seeking to make a positive contribution to society or the environment you have a range of options to consider. We will listen and take the time to understand your personal financial goals, whether it's working out when you can retire, how to minimise Inheritance Tax or getting the most out of your savings and investments. **To find out more, please contact us.**

**Source data:**
*[1] Pru, part of M&G plc, 'Power of Sustainable Living' report – research was carried by Opinium among a UK representative sample of 2,000 consumers – UK adults spend £51.90 per month. Multiplied by 12 months is £622.80 – 13 November 21.*



# WHAT'S YOUR MAGIC NUMBER?

## KEEPING UP YOUR CURRENT LIFESTYLE AND ENJOYING YOUR GOLDEN YEARS

People planning for retirement should think hard about what they want to do when they eventually stop work. It is helpful to have a good idea of the lifestyle you want, how much it will cost and how you are going to pay for it.

With so much going on in your life – from family and work to pursuing your passions – retirement planning may not have been your priority. But now you want to make sure your pension and overall financial situation will allow you to keep up your current lifestyle and enjoy your golden years. The more enthusiastic you are about retiring, the more likely you are to develop a robust retirement plan.

### DIY APPROACH TO RETIREMENT

Obtaining professional financial advice is key to ensuring you achieve the retirement you want. But 8 million people are planning a DIY approach to retirement and many don't know how to avoid running out of money, avoiding a big tax bill or leaving an inheritance, new research has highlighted[1].

Millions of people don't understand their retirement options when they stop work. More than a third (35%) of pension holders admit they know nothing about the product options at retirement and the pros and cons of each option.

### PRODUCT OPTIONS AT RETIREMENT

And more than one in five (22%) of those planning to retire in the next five years know nothing about the product options at retirement. And they don't understand some of the big risks in retirement. Worryingly, 35% of pension holders know nothing about how stock market falls can affect retirement savings.

Of those surveyed, 34% commented they don't know how to ensure they will not run out of money in retirement. Half of people with a pension over £100,000 didn't know a good amount about how to take money from their pension in a tax-efficient way.

### TAKING PROFESSIONAL FINANCIAL ADVICE

Only 34% of married people understand how to ensure their spouse will be left with enough pension if they die. Although people are unclear about their options, worryingly many are not considering taking professional financial advice.

Only 39% of pension holders are planning on taking financial advice when they retire, with 31% planning to DIY their retirement. Only half (52%) of mass affluent people – those with assets of between £100,000 and £500,000 excluding property – are planning to take professional financial advice.

### SERIES OF BIG DECISIONS TO MAKE

The top occasions where mass affluent consumers feel that people should seek professional financial advice are: choosing to invest a large lump sum (43%), Inheritance Tax planning (44%) and deciding how to access a pension (40%).

People have a series of big decisions to make as they approach the end of their working life and each one can make a huge difference to their retirement. For example, should you drawdown your pension in one go or over a period of time? Should you take your 25% tax-free cash or leave the money in your pension fund to grow? Should you buy an annuity to guarantee an income for the rest of your life or go for drawdown? These are questions your professional financial adviser will help answer.

### MAKING BIG FINANCIAL DECISIONS

Obtaining advice compensates for the emotional biases people have when they make big financial decisions. A DIY approach to managing large pension funds at retirement is fraught with risk.

People can easily buy the wrong products, incur unnecessary tax bills or simply exhaust their retirement funds too quickly, whereas an adviser will provide an impartial, cool-headed approach to their client's finances and offer solutions that the client will not even have considered.

**SIGNIFICANT FINANCIAL DECISIONS MAGNIFY YOUR NEED FOR QUALITY ADVICE**
Obtaining professional financial advice is important to consider your options and ensure you achieve the retirement you want. We recognise that increasingly complex and significant financial decisions magnify your need for quality advice. **To discuss how we can help with your plans, please call us.**

**Source data:**
*[1] The LV= Wealth and Wellbeing Monitor is a quarterly survey of 4,000+ consumers which examines their attitudes to spending, saving and retirement. The Monitor also surveys the attitudes of mass affluent consumers, those with assets of between £100,000 and £500,000 excluding property, who are a key target market for financial advisers. LV= surveyed 4,000+ nationally representative UK adults via an online omnibus conducted by Opinium in June 2021.*

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# SAVING FOR A RAINY DAY

## WHAT'S THE RIGHT EMERGENCY FUND AMOUNT FOR YOU?

An emergency fund is money you put aside to cover a financial shock. This could be losing your job, or a large, unexpected expense. Building an emergency fund can help prevent your needing to borrow money or make difficult financial decisions in those moments, by giving you savings to fall back on.

Worryingly, one of the things the COVID-19 pandemic has demonstrated is that anyone could find themselves in financial difficulties. But three out of ten (30%) working people in the UK could only manage for up to a month financially if they had to rely on their savings to cover their outgoings, research reveals[1].

### FINANCIAL WELLBEING

A quarter (26%) of workers said they had less than £500 in savings. The results also highlighted that the issue affects younger people most severely, with 40% of 18-to-34-year-olds in work unable to manage more than a month if they found themselves without their salary.

The COVID-19 pandemic has intensified issues around financial wellbeing in the working population. As well as one-fifth (21%) admitting to saving nothing on a monthly basis, more than one in ten (15%) have increased the amount of debt they have over the previous 12 months, and a quarter (26%) have had to borrow from family or friends during the period.

### UNEXPECTED BILLS

Almost half of working Britons (49%) said they feel stressed about their financial situation. This doesn't just cause problems with meeting unexpected bills or dealing with a loss of income due to sickness or unemployment.

Money worries can affect all aspects of people's lives, which is why it is important for people to build a healthy savings pot and improve their financial wellbeing to protect themselves from any sudden and unexpected changes to their situation. There's also clear evidence that low financial resilience can also have an impact on mental health.

### FINANCIAL DIFFICULTIES

If you have money set aside for emergencies, you're far less likely to experience financial difficulties or have to borrow at a high interest rate if things go wrong or your circumstances change. Knowing you've got some money you can access is essential.

Typically, you should aim to have enough money in your emergency fund to cover your expenses for at least three to six months. Saving regularly is a good way to build up an emergency fund. You'll find that if you get into the habit of saving each month your savings will soon mount up.

### ILLNESS OR INJURY

If you are also worried an illness or injury could leave you without enough to pay bills, there are ways to protect your income. To protect you and your family comprehensively, you should consider insurance – especially if your employer does not have an occupational sick-pay scheme.

The four most common types of insurance that protect your income are income protection insurance, critical illness cover, life insurance and payment protection insurance.

**HOW MUCH SHOULD YOU SAVE?**
How much you need, and what an 'emergency' is, will depend on your situation. It's best to split your savings, so you're keeping some to hand for emergencies and putting the rest where it can work harder for you. **To find out how we could help, please contact us.**

**Source data:**
*[1] Yorkshire Building Society research, 06 July 21*