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MAY/JUNE 2024

PENSION FREEDOMS
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• Lifestyle Protection • Creating Wealth • Tax Rules

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UK state pensions

WHAT DID THE CHANGES IN APRIL MEAN FOR YOU?

HOW MUCH IS THE STATE PENSION RISING BY AND WHY?

The state pension increased by 8.5% at the start of the 2024/25 tax year, because of the "triple lock", which was first introduced by the coalition government and came into force in 2011-12.

It promises to increase the state pension every April in line with either the previous September's consumer prices index measure of inflation (CPI), the amount that wages increased by, or 2.5%, whichever is the higher figure. For 2024-25, the rise was in line with the amount wages increased, meaning pensioners get an extra 8.5%.

State pensions are paid every four weeks to people who have reached the qualifying age and have paid enough national insurance contributions.

The new full, flat-rate state pension (for those who reached state pension age after April 2016) rises from £203.85 to £221.20 a week or £11,500 a year.

The old basic state pension paid to those who reached state pension age before April 2016 rises from £156.20 a week to £169.50 a week equivalent to a more than £600 annual increase to £8,814.

I'M ON THE LOWER, OLDER PENSION. WHAT HELP CAN I GET?

Poorer pensioners on the basic rate may qualify for pension credit, which has also increased. The means-tested benefit is there to top up pensioners' weekly income to £218.15 if they are single, up from £201.05 a week. Couples receive £332.95 a week, up from £306.85.

Anyone who qualifies for pension credit may also be entitled to other financial support, including cost of living payments, housing benefits, a reduction in council tax, or help with heating costs through the warm home discount scheme. People born before 25 September 1957 are also entitled to the annual winter fuel payment.

WHAT IS THE STATE PENSION AGE AND WHEN CAN I RETIRE?

More than 12 million people currently receive the state pension. Men and women born between 6 October 1954 and 5 April 1960 start receiving their pension at the age of 66. But for people born after this date, the state pension age has been increasing to 67 for those born on or after 5 April 1960. The plan is to introduce a gradual rise to 68 between 2044 and 2046 for those born on or after 5 April 1977.

WILL THE TRIPLE LOCK CONTINUE?

In March the chancellor, Jeremy Hunt, said the Conservatives would continue the triple-lock system if they won the next general election. Labour has also said it is "committed to retaining" the triple lock. The triple lock was temporarily suspended for the 2022-23 tax year after the COVID-19 pandemic distorted average wage figures but was later restored.

THE NEW ISA RULES

What the changes to ISAs mean for you

ISAS were introduced in 1999. They have been a success story for investing as tax-efficient ways to save. Once money is paid into an ISA, it is then sheltered from UK income and capital gains tax.

Since 1999, there have been many different types of ISAs launched and tweaks to ISA rules and regulations, this tax year sees yet more.

Here's what you need to know:

What ISA changes are coming this tax year?

1 ISA allowances are again frozen for the 2024/25 tax year

It was expected that the ISA allowances would increase due to the higher inflation seen in 2023, but the overall ISA allowance is staying at £20,000 this tax year.

You can currently divide your allowance between a Stocks and Shares ISA, a Cash ISA, an Innovative Finance ISA and a Lifetime ISA (up to £4,000 per tax year which counts towards the overall £20,000 limit).

The Junior ISA allowance will also not increase with inflation and will remain at £9,000.

2 New flexibility to invest into the same type of ISA with different providers

This will allow investors to have ISAs of the same type with different providers in the same tax year. It could allow Cash ISA savers the chance to seek better competitive rates or choose a blend of easy access and fixed rates.

This change should safeguard those who accidentally pay in more than the annual allowance of the same type of ISA in a single tax year. This is easily done when you are paying into an ISA by Direct Debit.

A point to note, this rule change does not apply to the Lifetime ISA or Junior ISA.

You can still only subscribe to one Lifetime ISA a year and you can only open one type of each Junior ISA (Cash and Stocks and Shares) for a child.

3 You can now do partial transfers between providers

As of April, (this year 2024), you no longer have to transfer all of your ISA if you change providers, this will give ISA savers and investors greater flexibility and control. The old rules forced people to transfer their entire ISA of that type from the current tax year if they wanted to make changes.

The new rule means people now have control of how much they want to transfer, no matter when they made the initial ISA investment.

4 Re-apply rule scrapped

ISA savers were required to, reapply for ISAs they already hold if there was a gap of one tax year where no subscriptions were paid. Scrapping this rule should reduce the potential of people falling foul and also reduce the bureaucracy.

5 New 18+ age limit increase

This rule only applies to Cash ISAs, where the minimum age for opening an account was 16 years old. From April 2024, this has been increased to 18 years and will now be in line with the other adult ISAs. 16 and 17 year olds will continue to be able to open and save into a Junior ISA.

WHAT OTHER ISA CHANGES ARE THERE IN THE PIPELINE?

In the recent Spring Budget, the Chancellor announced the government was beginning a consultation into a new 'British ISA'. The idea being that this ISA would give investors an additional £5,000 allowance to invest in UK shares. There is still uncertainty about this reform, but we will be watching with interest to see if:

- If the British ISA is going ahead
- How the British ISA would work
- How to invest if it gets launched

This article isn't personal advice. As we've seen, ISA and tax rules can change, and any benefits depend on your circumstances. If you're not sure what's right for you, ask for financial advice.
The longer you invest, the less likely you are to lose money, but there are no guarantees. Unlike the security offered by cash, investments fall as well as rise in value, so you could get back less than you put in.

THE 3 WAYS TO RECEIVE YOUR PENSION

For most people who retire, their pension is likely to be their main source of income. Therefore, an essential part of retirement planning is deciding how to access your pension pot.

WHAT ARE MY OPTIONS?

Should you have a Defined Contribution (DC) pension, you retire with a pension pot of money that you can access in different ways. Pension freedom allows you to decide how and when to withdraw money from your pension that suits your needs. However, the underlying consideration is that you need to understand that you will be responsible for ensuring your pension lasts for the rest of your life to give you financial security.

YOUR PENSION ACCESS OPTIONS:

DRAW A LUMP SUM

Individuals can now withdraw lump sums from their pension pots as and when they want to.

This has an advantage where there is a need for one-off expenses. Such as paying off the remainder of your mortgage or wanting to help a grandchild get on the property ladder.

However, bear in mind that pension withdrawals are normally liable for Income Tax. Generally, you can take up to 25% of your pension as a tax-free lump sum, withdrawals over this amount could be added to your total income. This may see you falling unexpectedly in the next tax band.

FLEXI-ACCESS DRAWDOWN

Flexi-access drawdown offers you the ability to withdraw a regular income from your pension. You decide whether to increase or decrease the income to suit your particular circumstances. With Flexi-drawdown you have to be careful that you don't draw too much, as you don't want to run out of money in your later years.

Also, there is inflation and life expectancy to consider, which may affect your income over the long term.

BUYING AN ANNUITY

Some people decide to use the money in their pension pots to buy an annuity, which then provides a regular set income. Some retirees choose an annuity that has a life span for a set number of years.

An annuity is a good option if you are concerned about running out of money over the long term. Once in place, annuities generally cannot be changed so they are less flexible than other options.

THE 3 PENSION OPTIONS BALANCE

Pensions are now very flexible, you no longer have to have just an annuity, therefore you don't have to choose a single way to access your pension, you can balance one with another within the options.

For instance: you could start by drawing a lump sum from your pension to get going, then you could use some of the remaining balance to purchase an annuity, which will offer you a reliable income that you will receive for the rest of your life. After this, with the money remaining you could draw it via flexi-access drawdown as and when you need it.

Most people can access their pension pots when they reach 55, rising to 57 in 2028. But remember, you don't have to take your pension at any point during your retirement if you don't want to.

Pensions are very tax-efficient ways to invest, by leaving your money invested in your pension to be invested in a way that's appropriate for you should see it grow over time.

The other advantage of a personal pension is that normally pension savings aren't seen by HMRC as part of your estate for Inheritance Tax (IHT) purposes. Instead, beneficiaries may pay Income Tax on the money they inherit, which may be at a lower tax rate depending on their normal rate of tax from other sources of income.

As pensions fall outside IHT, they are generally stated in your Will. Therefore, you will need to complete an expression of wishes form with your pension provider to state who you want to benefit from your pension should you die.

If you need help or are not sure about your retirement plan, please contact us.

Should you have any questions about how to access your pension or your retirement plans in general, please get in touch. We will work with you to create a plan that suits your goals and needs.

This article is for general information only and does not constitute advice.
A pension is a long-term investment not normally accessible until 55 (57 from April 2028). The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Past performance is not a reliable indicator of future performance.
The tax implications of pension withdrawals will be based on your individual circumstances. Thresholds, percentage rates, and tax legislation may change in subsequent Finance Acts.

Don't overlook the value in speaking to your beneficiaries

You may already have written your Will and got your estate in order, but have you considered discussing inheritance with your family?

It is thought that around 58% of people in the UK have never talked about inheritance with their family. The downside of this is that your beneficiaries may be totally unprepared about receiving any inheritance, or their expectations of inheriting could be very different than you intend. Further, it could mean that far more of your estate, than intended, may be liable for Inheritance Tax (IHT).

THE BENEFITS TO YOUR BENEFICIARIES?

Speaking with your beneficiaries about your estate plan ideas could allow you to make adjustments that suit their thoughts and ideas. Your beneficiaries may have ideas and ambitions that they have not discussed with you or other family members.

Maybe they want to start their own business, if it is a good business plan you could decide to invest in their business now rather than leaving them a lump sum at a much later date Or possibly a beneficiary has ideas of sending their children to a private school or university and would rather the money be kept in a fund for when the children are old enough.

It could also be the case that your beneficiaries would use their inheritance to boost their own pension fund or buy a property. When considering inflation, it is much better to be aware now rather than later of their ideas and thoughts.

In such cases, you could find there are better ways to align your beneficiaries' goals with your estate, but it will require adequate time to plan for it.

REDUCING ANY POTENTIAL INHERITANCE TAX

In the 2024/25 tax year, individuals have an allowance to pass up to £325,000 on their death without IHT being due. This tax band increases by £175,000 if a direct descendant inherits your main residence. With married couples or those in a civil partnership who are able to transfer any unused allowance, means they could leave up to £1 million before IHT is due.

Should your estate be valued above the nil-rate bands, your beneficiaries could be liable to pay IHT on everything they inherit above these allowances.

Making gifts to your beneficiaries at least seven years before your death may mean they do not have to pay IHT on the value of these gifts. This is known as a "Potentially Exempt Transfer" (PET).

Discussing PETs with your beneficiaries could mean you can make gifts sooner, rather than when it is too late.

QUANTIFYING

Having a discussion with your beneficiaries about their potential inheritance gives you the opportunity to ensure they understand what to expect. It can remove any doubts over the value of their inheritance.

It may also clear up any grey areas as you can explain the decisions you have made.

PREPARING THE WAY

In preparation for an inheritance, your beneficiaries may want to open new accounts, begin researching some investment opportunities, or start looking for investment value like property.

FINANCIAL ADVICE IS IMPORTANT

Speaking to your beneficiaries offers a great opportunity to enlighten them to always consider and use sound financial advice which may improve their long-term security.

A good starting point may be to move them towards using the financial advisers you have already spoken to and whom you trust.

Having open dialogue and speaking to your beneficiaries can be a very important part of planning your estate, though many families overlook the benefits. Get in touch to find out how we can help you and your family.

"MAKING GIFTS TO YOUR BENEFICIARIES AT LEAST SEVEN YEARS BEFORE YOUR DEATH MAY MEAN THEY DO NOT HAVE TO PAY IHT ON THE VALUE OF THESE GIFTS. THIS IS KNOWN AS A "POTENTIALLY EXEMPT TRANSFER" (PET)."

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DIVIDEND TAX DRAGS MORE INTO PAYING DIVIDEND

According to an AJ Bell report, more than 1 million investors will be drawn into paying Dividend Tax for the first time in the 2024/25 tax year. So, what options are there to reduce this possibility and avoid this tax charge?

WHAT IS A DIVIDEND?

A dividend is the distribution of a company's earnings to its shareholders. Dividends are usually issued monthly, quarterly or annually. If your money is invested in a dividend-paying company or fund, you could normally receive regular cash payments from them.

A point to remember is that dividends are not guaranteed. Companies can reduce or cut dividends if their profits decrease or the business has future high-value expenditures.

Business owners have the option to choose to use dividends as a tax-efficient way to withdraw money from their company.

When it comes to overall annual income, dividends could be an important element in your overall financial plan, by supplementing income from other sources. However, with the introduction of new tax rules, the Dividend Allowance could mean your tax bill is now higher.

As of 6 April 2024, the Dividend Allowance was reduced to £500. The Dividend Tax allowance has been falling over previous tax years, in 2022/23, you could receive up to £2,000 but in 2023/24 it fell to £1,000 before Dividend Tax was due.

Due to the Dividend Allowance rate falling to £1,000 for the 2023/24 tax year, a report by AJ Bell suggested that an additional 635,000 people paid Dividend Tax. The Dividend Allowance has now been reduced once again from 6 April 2024 to just £500, which will drag an additional 1.15 million investors into the tax net for the first time.

SO, HOW MUCH TAX WILL I PAY?

The amount of tax you pay on dividends that exceed the Dividend Allowance is paid within the tax band that you fall into, once all your other income is considered. For the 2024/25 tax year, the tax rates on dividends are:

- Basic-rate taxpayer: 8.75%
- Higher-rate taxpayer: 33.75%
- Additional-rate taxpayer: 39.35%.

This clearly shows that even though the Dividend Allowance has been greatly reduced, the tax rate you pay could still be lower than your Income Tax.

How can I reduce my Dividend Tax bill?

1. Plan your total income

Careful planning of your other income may help you avoid a Dividend Tax bill or even possibly reduce the rate of tax you are liable to pay.

Should your dividend payment fall within your Personal Allowance, of £12,570 in 2024/25, they will not be liable for tax. By the same token, ensuring your total income doesn't move you up into the higher or even additional rate tax band, may mean you could benefit from a lower tax rate.

2. Divide your Dividend Allowances between you

By planning with your spouse or civil partner, your allowance could double because the Dividend Allowance is per individual.

As a consequence, by passing on some dividend-paying assets to your partner you are utilising both of your Dividend Allowance and therefore you will receive £1,000 in 2024/25 before tax is due.

THAN 1 MILLION INVESTORS TAX FOR THE FIRST TIME

3. Put your dividend-paying shares into an ISA

An ISA is an Individual Savings Account, it is a tax-efficient wrapper for your savings and investments.

Dividends from investments within an ISA will not be liable for Dividend Tax and will not impact your Dividend Allowance. Also, the profits you make when selling investments in your ISA are free from Capital Gains Tax (CGT).

In the 2024/25 tax year, you can invest up to a maximum of £20,000 into ISAs.

4. Pension investing for your retirement

Pension investing for your retirement could provide you with a tax-efficient way to invest. Investments held in a pension are not subject to Dividend or Capital Gains Tax. As an additional benefit, you receive tax relief on your pension contributions at your individual tax rate in most cases.

Currently, you cannot usually draw your personal pension before the age of 55, rising to 57 in 2028. So, your time frame could impact your investing goals.

In the current tax year 2024/25, you can usually invest £60,000 into your pension. This is the Annual Allowance without incurring an additional tax charge. Should you have already accessed your pension flexibly or are a high earner, your pension Annual Allowance may be lower.

5. What alternatives are there to increase your income

Payments from bonds could be classed as interest payments and could add to your total income. Interest could however be liable for Income Tax, depending on your Personal Savings Allowance (PSA), which is the amount of interest you can earn in a tax year before tax may be due.

Your PSA depends on the rate of Income Tax you pay.

In 2024/25, the PSA is:

- £1,000 for basic-rate taxpayers
- £500 for higher-rate taxpayers
- £0 for additional-rate taxpayers.

A further option is to consider investing in non-dividend paying stocks or funds where the assets are sold for profit. But remember this money that you make by selling investments held outside of a tax-efficient wrapper may be liable for CGT. However, the tax rate you pay could be lower than Dividend Tax and the Annual Exempt Amount could help you avoid paying tax.

In 2024/25, the Annual Exempt Amount means you can make up to £3,000 profit before CGT is due.

Where CGT seems due, the rate you pay depends on which tax band(s) the taxable gains fall into when added to your other income.

In 2024/25:

- As a higher- or additional rate taxpayer your CGT rate would be 20% or 28% on gains from residential property.
- As a basic-rate taxpayer, your CGT rate of 10% or 18% on gains from residential property, where the taxable amount falls within the basic-rate Income Tax band.

CONTACT US TO TALK ABOUT YOUR TAX STRATEGY FOR 2024/25.

Using tax allowances and being aware of different options could reduce your overall tax liability. Please contact us to discuss your tax strategy for the 2024/25 tax year and beyond.
This article is for general information only and does not constitute advice. Keep in mind that investment returns cannot be guaranteed. The value of investments can fall as well as rise.

How to pay off your mortgage

PAYING OFF YOUR MORTGAGE EARLY IS A DESIRE FOR MOST HOMEOWNERS, AND RESEARCH SHOWS THAT MORE HOUSEHOLDS NOW OWN THEIR PROPERTY OUTRIGHT.

A little over a quarter of households owned their property outright in 1992, and around 43% were paying off a mortgage. In 2021/22, more than a third of people owned their property outright, while around 30% were making mortgage repayments.

Considering these figures, it's hardly surprising that older generations are the most likely to own their home outright, with only 5% of homeowners aged 65 or above still having a mortgage.

When you have paid off your mortgage it significantly reduces your outgoings and gives you more money to spend. You might plan to retire earlier or use your extra income to express your lifestyle. Should you have a repayment mortgage and you have kept up with your repayments, then one day you will own your home outright. Should you want to reach this important goal sooner, then there are 3 options you could take.

1. MORTGAGE OVERPAYMENTS

Making overpayments to your mortgage each month is a simple way to pay down this huge debt quickly. It will also help you become mortgage-free earlier and it could also reduce how much you pay in interest.

As an example, taking a 20-year repayment mortgage, with borrowings of £200,000 at an interest rate of 4.5%, monthly repayments would be approx £1,260 a month. By making regular overpayments of £200 a month, you could be mortgage-free four years sooner.

With repayment mortgages the interest is calculated based on the outstanding balance, therefore you will save almost £23,000 in interest in the above example. If you have the money now, you could pay a lump sum off your mortgage.

Using the above example again, borrowing £200,000 over 20 years through a repayment mortgage with a 4.5% interest rate. By choosing to make a one-off lump sum overpayment of £20,000, it could be possible to pay off your mortgage three years earlier. Also, possibly saving more than £25,000 in interest.

The above are just examples and you would need to read the terms of your mortgage before you make any repayments or overpayments as some may charge you an early repayment fee.

2. REDUCE THE YEARS OF YOUR MORTGAGE

Generally, people opt to take out a mortgage with a term of 25 years. However, with house price inflation, many people are choosing a longer term, perhaps 30 or 35 years.

By reducing the mortgage term, you would increase your monthly mortgage costs, but this would have the advantage that you would pay off the debt sooner.

On a £150,000 repayment mortgage over a 25-year term at an interest rate of 4.5% would result in repayments of around £833. If you reduce the mortgage term to 20 years, your repayments would rise to £949, but at the end of the 20 years, you save approx. £10,000 at today's rate per year, this is circa £50,000

Also, as you gain more equity within your property, the interest rate you pay on your mortgage could reduce. So, reducing the mortgage term might not increase the repayments by as much as you expect.

3. USE AN OFFSET MORTGAGE

An offset mortgage links your savings account to your mortgage. The money you have in the savings account usually doesn't earn interest but instead, your mortgage lender will use the money in your savings account to "offset" the amount you pay in your mortgage. So, the more money you have in your savings account, the more your repayments could reduce.

The advantage is if you want to make overpayments but want to have flexibility for emergencies as you will have cash that's set aside for a particular purpose.

The main drawback to consider before deciding if an offset mortgage is right for you is that your savings won't be earning you interest at all.

Contact us to talk about your mortgage thoughts and needs.

If you're searching for a new mortgage and want to pay off the debt quicker, we could help you find the right deal for you. Whether you want the freedom to make overpayments without facing a charge or have questions about how an offset mortgage could work for you, please get in touch.

PENSION FREEDOMS
WHAT HAVE WE LEARNT?

Since George Osborne announced the biggest shake up to pensions on record, the pension market has drastically changed. So, let's see what we have learnt.

From these dramatic changes, people now have so much flexibility in choosing their income cash streams for their retirement. The one-stop shop of only being able to buy an annuity has gone, now people can move into income drawdown or even take their pension as a cash lump sum.

From George Osborne's dramatic announcement, the annuity market was huge with many believing it was finished and that people would cash in their pensions and buy high-end value goods, like sports cars and luxury holidays.
In reality, this did not happen. People, knowing the true value of money, have been far more sensible and have made full use of the new pension flexibilities.

SO, WHAT HAVE WE LEARNT?

The pension market changed and adapted

Before the pension freedoms, annuities were the go-to retirement pension income choice, with an estimated 420,000 sold in 2012. By 2021/22, it was down to around 68,500.

Although down, the annuity market did not collapse and disappear, in fact, right now annuities are becoming popular once again because incomes have risen from the events of higher interest rates.

In fact, 2023 was the highest year of annuity sales since pre-the reforms.

The introduction of income drawdown

Once the poor kid on the block in the pension market, income drawdown has since grown in popularity. The latest Financial Conduct Authority (FCA) figures show that more than 205,000 drawdown policies were enacted in 2021/22.
Income drawdown is no longer seen as a choice just for wealthier retirees anymore and many people now use it singularly or accompanied with annuities to build a diversified retirement income.

Planning pension income is long term

The temptation to spend, spend, spend when large amounts of money are seen is obvious but making sure you don't run out of money in retirement needs careful long-term planning. FCA data has shown in 2021/22 that almost 70,000 pension pots that went into income drawdown went without those people taking any advice or receiving any long-term pension advice.

Help is out there for people to seek advice in fact the FCA's investment pathways initiatives offer investment options for people unsure of what to do when it comes to where to invest.

In this FCA data, it suggests that there were over 160,000 plans where withdrawal rates were over 8%. Seeing such money flowing out over the long term, means there could be a much bigger chance of people's pension money running low or even running out.

People remained wise

At the time, it was thought that the pension reforms would promote a 'dash for cash' but it didn't happen with the data now suggesting people have been much wiser with their money.

Pension reform shows the number of people accessing their pensions has grown, but the average withdrawal amount has remained relatively stable.

There is evidence that people have taken their pensions as cash lump sums, but this is within smaller amounts. It could also suggest that people are wisely accessing one pot as cash, whilst at the same time drawing income from other pensions they have available.

Beware of the HMRC tax trap

Let's imagine you have a £100,000 pension pot and you decide to £5,000 as your first lump sum withdrawal. An apparent unintended consequence of the reforms was the emergency tax rate applied to people's first lump sum withdrawals.

This was because the amount withdrawn, £5,000 in this example, is treated as though it would be paid every month instead of a one-off.

HMRC will repay you over time for this excess tax take, or you can put in a claim yourself. So far, it is believed that HMRC has repaid £38,784,733 in excess tax.

The easiest way to make a claim is by visiting the government website (gov.uk).

The advantages of planning lifetime goals

When you think about retirement, the first thought is often, will I have enough money but it's often a good idea to also focus on your lifestyle aspirations and to think about what your ideal retirement lifestyle could be.

Considering your retirement lifestyle may be useful for several reasons, such as:

- **Understanding your retirement plan**
- **Focus on your retirement goals**
- **Ensure your financial plan reflect your needs**

Knowing, or at least formulating, what your life could look like once you stop working, will be a rewarding task.

3 questions to ask yourself about your retirement lifestyle:

Knowing what you want your retirement to look like could mean it turns into reality. So, the following questions should help:

QUESTION 1. WHAT DO YOU WANT MOST FROM RETIREMENT?

Most people want more free time, so you need to think about what you will be most looking forward to spending this new free time on.

According to an Aegon report, more than 50% of people nearing retirement are looking forward to spending more time with loved ones. In addition, 45% plan to use retirement to go travelling and many are looking forward to having free time to pursue new hobbies.

Focusing on how this new free time will bring you happiness can help you build a life after work that is exciting and rewarding.

QUESTION 2. HOW WILL YOUR NEW RETIREMENT ROUTINE WORK?

Will you opt to explore and visit a new destination for several weeks each year? What about your daily life? How will you be spending your average day, consider the time spent on hobbies.

QUESTION 3. HOW WILL YOU KEEP CONNECTED?

Social interaction is important for well-being and may help you enjoy the retirement stage of your life much more.

Your working relationships may be generally lost, so it may be valuable to consider how you'll maintain existing social connections and to meet with new people.

Many retirees join clubs of one kind or another which allows you to meet new people who have similar interests.

Having set lifestyle goals may help with the emotional feelings of retiring too.

You might be worried about running out of money or the effects that inflation could have on your ability to spend. Money worries are often the biggest cause of pre-retirement anxiety.

The emotions of retiring could prevent a nice transition into retirement making it difficult to step away from the routine of work and the social side of work that has probably been an important part of your life for many years.

Retirement does bring anxiety of some kind, there are bound to be some emotional challenges when you retire. By placing your lifestyle goals in your retirement plan and understanding them should ease your retirement concerns.

CONTACT US TO TALK ABOUT TURNING YOUR RETIREMENT PLANS INTO A REALITY

Financial plans often start with understanding your goals and lifestyle aspirations. If you're approaching retirement and want to create a plan you could have confidence in, please contact us to arrange a meeting.

ARE YOU FEELING CONFIDENT ABOUT RETIREMENT?

Recent research has found that many people approaching retirement don't feel confident about their financial future. If you are concerned about how economically secure your retirement will be, there may be some practical steps you could take.

Many people approaching retirement are feeling concerned about their retirement because many are already supporting younger families, about 30% are providing financial support to adult children, while around 10% are helping elderly relatives, according to 'Just Group'.

Whilst it's good to be helpful to your loved ones. Supporting others financially may mean less focus on your long-term financial well-being, which could bring its own future problems.

If you are nearing retirement, here are some practical steps that could help you feel more confident about your economic future.

1. Evaluate your income needs for retirement

If you haven't evaluated the approximate income, you will likely need for your retirement, doing so now could help you feel more confident. Often the uncertainty of not knowing can be more worrying than taking the time to look.

Once you have done this, you will be in a better position to adjust your retirement plan accordingly or take steps to bridge any shortfalls.

Understanding your future annual income needs isn't easy. Working with a financial planner could be helpful, especially if you are finding it hard to see how you could use your pension pot to create your regular retirement income.

2. Count up all your retirement assets

Your pension is likely to be your main source of income in retirement, but it's probably just one of many income streams. For instance, you may also receive a State Pension. For the 2024/25 tax year, the full new State Pension is more than £11,500 a year.

Additionally, you may also have other assets that you could use to create an income, like savings, property or investments.

To alleviate the fear that you are not saving enough for your retirement when reviewing your pension, a sound financial plan could give you peace of mind.

3. Plan to end loan debts

Reducing large outgoings by paying off debt before you retire may prove very useful. One practical way is to make overpayments to reduce the amount of interest you pay to service these debts.

Mortgage repayments are often one of the largest outgoings for households and paying off a mortgage before you retire could be very beneficial.

4. Review how your pension is being invested

Generally, the money in your pension is invested over many years. where future investment returns help your pension grow. You should review your pension investments and ensure it is invested in a way that's suitable for you.

When deciding how your pension is invested, you will be able to choose from different funds. All these funds will have different risk profiles and investment groupings allowing you to choose one that's right for your needs. Should you not select funds, your money will often be invested through a default option, which might not be right for you over the long term.

5. Claim the pension tax relief you're entitled to

The government provides pension tax relief to encourage people to save, meaning some of the money you have paid in tax is added back to your pension. As a result, a pension is a tax-efficient way to save for retirement.

Pension providers automatically claim tax relief at the basic rate on your behalf, but should you be a higher or additional-rate taxpayer, you have to fill in a self-assessment tax return to claim the full amount of tax rebate relief you are entitled to.

6. Boost your pension contributions

A very small monthly boost into your pension can really add up because contributions benefit from tax relief and as this money is invested, it has the potential to grow each year of your working life. Also, you could benefit from the effect of compounding from the returns on this extra boost into your pension.

7. Use a professional financial adviser

Whenever you are looking to retire soon or it's still way off in the future, a comprehensive financial plan could help you reach your retirement security with confidence.

We could work with you to create a retirement plan that considers your goals and circumstances. Please contact us to arrange a meeting.

LIFE INSURANCE: THE BENEFITS

When should or why should you consider Life insurance?

We all experience life changes, such as buying a property, getting married and having a baby, these are big events where you should consider protecting your family's future.

Life insurance assures that your loved ones won't face financial hardship if you are no longer around and this peace of mind is not just aimed at those earning an income.

People who are not currently working, for instance, or have taken a career break to bring up children, in this case, your absence could impose unexpected costs like childcare falling on to the surviving partner. A life insurance policy payout may help cover such additional unforeseen costs.

A life insurance policy will soften the blow and ease the pressure during an emotionally charged time.

Whilst the government does provide benefits such as Bereavement Support when a family member dies, these benefits generally do not cover typical living costs. It is also worth noting that should you rely on a Will to financially support your family after your death, the estate distribution process is often very lengthy.

A life insurance payout could bridge your immediate expenses or contribute towards funeral costs, further easing the financial challenge during an emotional time. You may believe life insurance may be unnecessary for you, especially if you are single with no financial dependents or your partner has a high paid job which can support your family without your income.

However, it is worth remembering that a life insurance payout may be of benefit because it could allow your partner to take time away from work to grieve. Life insurance is generally cheaper the younger you are and while you are in good health.

The different types of life insurance available

Choosing the right life insurance policy is a matter of circumstances. Often paired with a mortgage, 'term life' insurance is a sensible choice. Term life insurance provides cover for a specific number of years and only pays out if you die within the agreed period. After the term expires, there is no lump sum or refund if you outlive the term.

If you want a life insurance policy for your entire life then 'whole life' insurance covers you for your entire life, of course, this is dependent on you always paying your premiums. The guarantee of a payout at some point makes these premiums more expensive than 'term life'. Life insurance generally only pays out in the event of death, but there are policies which offer a terminal benefit, which will pay out if you're diagnosed with a terminal illness.

With all insurance policies, you have to carefully read your contract terms to understand what is and what will not be covered, because most life insurance policies exclude certain causes of death, such as those resulting from smoking, alcohol or alcohol abuse.

If you've been diagnosed with a severe illness, like a heart condition, a basic life insurance policy could also exclude causes of death related to such illnesses. We can help and advise you to understand your contract terms carefully to recognise what is and isn't covered.

This article does not constitute tax or legal advice and should not be relied upon as such. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. For guidance, seek professional advice.

For more information on any subject that we have covered in this issue, or on any other subjects, please tick the appropriate box or boxes, include your personal details and return this section to us.

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