

Harrison Beale & Owen

FINANCIAL SERVICES
CHARTERED FINANCIAL PLANNERS

Highdown House 11 Highdown Road
Leamington Spa CV31 1XT

ifa@hboltd.co.uk
01926 422 292

WEALTH **KNOWLEDGE**

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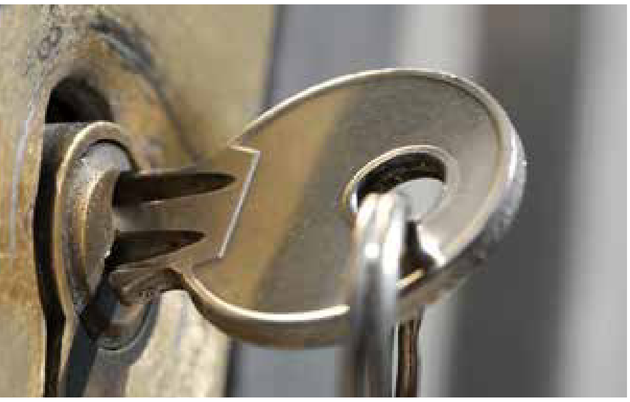

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Average earner will need £300,000 pension pot

Most people are not saving enough to maintain their current lifestyle in retirement, analysis from Aegon claims.

The average earner will need a combined pension pot of more than £300,000 to maintain their pre-retirement lifestyle.

The figure is based on findings from the government's auto-enrolment review, published in December 2017, which set out the percentage of earnings savers should aim for to maintain their current lifestyle.

According to these rates, an individual on average annual earnings of £27,000 should be aiming for a yearly retirement income of 67% – or £18,000 a year.

This would require an additional £809 each month, provided through private and workplace pensions, on top of the full state pension, which current annuity rates suggest would cost £301,500.

However, the auto-enrolment review estimates that 12 million people are not saving enough to meet the target requirements.

Steve Cameron, pensions director at Aegon, said:

"While automatic enrolment is helping plug the pension gap for employees, many of us face a shortfall which won't go away on its own.

"The earlier you take steps to put a bit more aside, the better.

"Ask your employer if they'd be prepared to match any increase you make with an increased employer contribution."

Speak to us about planning for retirement.

Carers snub state pension boost

A government scheme aimed to help carers obtain a better state pension failed to reach 97% of its audience in the previous financial year.

Responding to a Freedom of Information request from insurer Royal London, the Department for Work and Pensions (DWP) said just 3,524 carers claimed the so-called carer's credit in 2016/17.

The DWP suggested that up to 160,000 carers in the UK are eligible to benefit from the national insurance credit, but only 3% took up the option to add £237 a year towards their state pension.

To qualify for the credit, a carer must be between 16 and state pension age and spend more than 20 hours a week caring for a disabled person who is in receipt of either the:

- disability living allowance care component rate (middle or highest rate)
- attendance allowance
- constant attendance allowance
- personal independence payment daily living component (standard or enhanced rate)
- armed forces independence payment.

Emily Holzhausen OBE, director of policy and public affairs at Carers UK, said:

"Caring for more than 20 hours per week has a big impact on someone's ability to hold down a job and pay national insurance contributions.

"They should not lose out financially in retirement as well."

Royal London estimates that being in receipt of the credit would add £4,700 to a carer's state pension entitlement over the course of a typical 20-year retirement.

But it blames a lack of publicity for the woeful take-up and is calling on the government to do more to raise awareness.

Steve Webb, director of policy at Royal London, added:

"These schemes are introduced with the best of intentions, but they become no more than window-dressing if virtually nobody actually takes them up.

"Governments cannot simply hope people find the information on official websites or rely on the occasional ministerial press release.

"It is time for proactive communications with those who are meant to benefit, so that far more people get the help to which they are entitled."

Contact us to discuss your retirement strategy.

Millennials in line for record inheritance

Millennials who have 'baby boomer' parents or grandparents are set to receive record sums of inheritance, according to a report.

Research for the Resolution Foundation suggests that millennials, those born between 1980 and 2000, will enjoy the largest inheritance boom since the end of the Second World War in 1945.

The thinktank cites that 'baby boomers', classed as those born between 1946 and 1965, currently hold more than half of Britain's wealth.

As those baby boomers age, inheritances are set to more than double over the next 20 years before peaking in 2035.

Laura Gardiner, senior policy analyst at the Resolution Foundation, said:

"Millennials are likely to benefit from an inheritance boom in the decades ahead.

"This is likely to be very welcome news for those millennials, including some from poorer backgrounds who in the past would have been unlikely to receive bequests.

"They have the good fortune to benefit from the luck of the baby boomer generation."

The research expects these windfalls to improve living standards for those currently aged between 20 and 35 years old.

However, based on their parents' life expectancies, the Resolution Foundation estimates the average age most millennials will inherit is 61.

We can help with planning your estate.

Auto-enrolment age may be lowered to 18

Businesses that employ staff under the age of 22 or on short-term contracts may see costs increase if the government lowers the starting age for auto-enrolment.

The starting age for workers to be automatically enrolled into workplace pensions may be lowered from 22 to 18.

Darren Philp, policy director at The People's Pension, said:

"The earlier people start saving, the more investment growth can do the heavy lifting in saving for their retirement. It also kickstarts the savings habit from an earlier age.

"As well as widening access to pensions, this review signals that pension contribution levels will be reviewed after the implementation of the 8% contribution rate in 2019."

Auto-enrolment was introduced in 2012 and has seen participation in workplace pensions rise from 55% to 78% of all eligible employees in 2016 – an increase of around six million people.

As a result of auto-enrolment, the DWP expects an additional £19.7 billion a year to be put into pensions by 2019/20.

At present, auto-enrolment applies to workers aged between 22 and state pension age, and earning more than £10,000 a year, although those who earn £5,876 a year can also opt in.

Extending the scheme to include younger adults would result in an estimated 900,000 more workers being automatically enrolled, with employers contributing at least 2% per employee from April 2018.

For members of staff, their minimum contributions will also increase from April 2018 – to 3%.

Get in touch to discuss your obligations.