WEALTH KNOWLEDGE

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Pension savers 'cashing in, but losing out,' say the FCA

The Financial Conduct Authority (FCA) has warned savers they could be missing out on retirement income when they access pension freedoms.

The regulator announced a set of proposed measures, which would require pension providers to offer a range of ready-made investment solutions to customers who do not seek professional advice.

They would also prevent pension investments from defaulting into cash savings, unless the customer actively chooses this option.

This follows research by the FCA, which found that a third of consumers who have recently entered into drawdown are unaware of where their money is being invested.

Drawdown is offered by some providers, and allows savers to draw a post-retirement income from the assets held in their pension.

The research identified that many people tend to take "the path of least resistance" when entering drawdown, which can often result in poor investment choices.

The FCA estimates the proposed changes could benefit people by up to £25 million a year.

Steve Webb, director of policy at Royal London said:

"These FCA rules are a sensible response to the risk of savers sleepwalking into seeing their hard-earned savings eroded by sitting in low-return cash investments.

"But there is still a problem where people cash out the whole pot and transfer it into a cash ISA or current account.

"It is clear that reckless caution is the big outstanding challenge with pension freedoms."

Get in touch to discuss your pension.

Government consults on new stamp duty surcharge

People who are either struggling to get on the property ladder or are unable to move due to rising house prices may get a boost from a Government consultation.

Ministers have said they recognise the domino effect caused by non-UK residents purchasing homes and driving house prices up for buyers in England and Northern Ireland.

As such, the Government is consulting on introducing a new stamp duty surcharge of 1% to work on top of all existing stamp duty rates.

If approved, the non-UK resident surcharge will apply to purchases of residential properties made by non-UK resident individuals and certain non-natural persons.

The surcharge will apply to freehold and leasehold purchases of residential properties, including rates applicable to the rental element of leasehold properties.

Nearly half of all foreign-owned properties are in London, according to figures from the Land Registry.

Mel Stride, Financial Secretary to the Treasury, said:

"A 1% surcharge could help more people own their own homes in the future."

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Nottingham NG17 7GR
01623 750000
info@hampshirehill.co.uk
www.hampshirehill.co.uk

Employees over the age of 50 are working longer

The number of people aged 50 or over who are continuing to work has hit a record high, according to the Office for National Statistics (ONS).

More than 10.3 million over-50s were in employment from October to December 2018, representing 32% of the UK's 32.6 million-strong workforce.

The ONS began collecting records on over-50s in work back in 1992, at which point the figure stood at 22% of all workers.

Alistair McQueen, head of savings and retirement at Aviva, said:

"We've never seen a population of this age and size in work. They are record breakers.

"However, more must be done by employers to support these record breakers in a fuller working life."

The statistics show that as people progress through their 50s and into their 60s, employment levels still tend to decrease significantly.

While nine million people were in work at age 50, this fell to 1.2m for those aged 65 and over – a decrease that McQueen called a "huge waste of talent, experience and potential".

Indeed, separate research from Just Group revealed that around 3.6m over-65s have retired early due to unforeseen circumstances.

The retirement provider polled more than 1,000 over-65s and found that 25% retired early due to illness, 21% were made redundant, and care demands caused 10% to retire earlier than expected.

Just over one in four (26%) retired early because they were in the fortunate position to have enough savings in their pension pots to stop working.

Stephen Lowe, communications director at Just Group, said:

"Being forced to stop work is difficult for anyone but can be especially difficult for those over 50 – four in ten fail to find a new job within a year, a far higher ratio than their younger counterparts.

"It is so important that those getting closer to retirement take stock of their financial situation and assess their retirement options."

Chat to us about your savings strategy.

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Minimum workplace pension contributions rise to 5%

Most employees in the UK will see minimum contributions towards their workplace pension schemes rise from 3% of their earnings to 5% next month.

All staff who are aged between 22 and state pension age, and earning more than £10,000 a year, are automatically enrolled into a workplace pension.

In February 2019, the number of employees saving into workplace pensions passed 10 million for the first time.

The first workers were automatically enrolled in October 2012, with staging dates bringing businesses and their employees into workplace pension schemes.

For the first four-and-a-half years employers had to match employees' minimum contributions of 1% into their workplace pension schemes.

But those minimum contribution rates for employees increased to 3% from 6 April 2018, and will rise again to 5% from 6 April 2019 in what is the last stage of a phased rollout.

Concerns were raised in some quarters that the rise in minimum contributions may spark more employees to opt out of their workplace pension from April 2019.

However, research from the Association of Consulting Actuaries (ACA) suggests most employees remain on board with the concept of auto-enrolment.

In a poll of 349 employers, the ACA found that 75% expect there to be no increase in opt-out rates among eligible employees from April 2019.

Talk to us about your retirement strategy.

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