WEALTH KNOWLEDGE

MARCH 2020

MOST PEOPLE ARE UNSURE HOW MUCH IS IN THEIR RETIREMENT SAVINGS

Most employees do not know the current size of their pension pots, a study has found.

Opinium polled 983 workers on behalf of the Pension and Lifetime Savings Association (PLSA) and found 54% did not keep track of their retirement savings.

Knowledge levels among workers under the age of 55 were marginally higher than those who are closer to retirement.

The research found that 54% of workers aged 18 to 34 and 57% of 35 to 54-year-olds monitored their pension contributions, compared to 48% of over-55s.

Only 29% felt they were saving enough for their retirement, while 41% said they were not saving enough. The remaining 30% did not know.

Nigel Peaple, director of policy and research at the PLSA, said:

“It’s clear that savers are still unsure about exactly what their pensions are worth and what this will translate to in terms of real income in their retirement years.

“Through the publication of our Retirement Living Standards last year – as well as the introduction of the Pensions Dashboard when it’s launched – we believe that savers will have a clearer understanding of their financial health and be in a better position to picture their futures.”

Given the fact that an increasing amount of people are living for longer, it’s understandable that 56% were concerned about having enough savings to fund their retirement.

We can help you form a savings strategy.

ISA SALES SLUMP TO LOWEST LEVELS SINCE THE FINANCIAL CRISIS OF 2008/09

Brexit negotiations and political brinkmanship saw net sales of ISAs in the UK slump to a ten-year low in 2019, a report has claimed ahead of the publication of government statistics.

A report from Fundscape said that a combined net figure of £3.69 billion was put into ISAs during 2019.

Last year’s net sales figure was also the lowest since the height of the financial crisis in 2008 and 2009.

ISA season, which runs from January until 5 April every year, was particularly subdued in 2019 with £769 million placed into ISAs between 1 January and 31 March.

That net sales figure was the lowest since the first three months of 2009, when £469m was put into ISAs.

In the nine years since, net sales for the first quarter surpassed £1bn before the usual surge to use any unused ISA allowance in the days before 5 April.

The report indicated political uncertainty set the tone last year, while very few competitive rates were on offer to savers.

However, since the clarity provided by the outcome of the general election, net sales surged in the last weeks of December 2019.

Year-on-year net sales in the last three months of 2019 rose from £95.2m in 2018 to £481m as last year came to a close.

The Government is due to release its annual publication of the official ISA statistics next month.

Get in touch for advice on ISAs.

MILLIONS TO GET A TAX CUT AS NATIONAL INSURANCE THRESHOLD RISES TO £9,500

The Treasury is to raise the National Insurance thresholds for 2020/21, saving the average employee around £104.

Parliament approved legislation on 30 January 2020 to raise the £8,632 threshold at which employees start paying class 1 national insurance contributions (NICs) by more than 10% to £9,500 from 6 April 2020.

The same £9,500 threshold will apply to the self-employed who pay class 2 or class 4 NICs in 2020/21, reducing their annual bills by an estimated £78.

Government figures indicate a typical basic-rate taxpayer will be £1,200 better off in 2020/21, compared to 2010/11, due to this measure and previous increases to the personal allowance.

Prime Minister Boris Johnson first announced the Conservatives would raise the NICs threshold in November 2019 as part of his election campaign.

Johnson said that increasing the class 1 NICs threshold would "represent a tax cut for around 31 million workers".

In January 2020, more than 32.9m people were in employment while the UK's self-employed population passed the five-million milestone at the same time.

Ministers confirmed the upper NICs threshold is to remain at £50,000, while the main NICs rates will also be unchanged.

The Government plans to raise the National Insurance threshold to £12,500 in the coming years, a move it claims will put almost £500 a year into people's pockets.

The legislation also confirmed changes to the National Insurance thresholds that kick in from 6 April would not affect people's entitlement to the state pension.

Speak to us about tax planning.

'PEOPLE SHOULD BE ABLE TO ACCESS THEIR STATE PENSION FLEXIBLY'

Retirement savers should be allowed to flexibly withdraw their state pension as soon as they reach their state pension age, according to a report from Aviva.

At present, savers need to start claiming their state pension as soon as they reach their state pension age.

Defined contribution pensions that make up a saver's retirement pot can be flexibly withdrawn from the age of 55 due to the extension of pension freedoms, but that option does not currently apply to the state pension.

If savers fail to claim their state pension when they reach state pension age, any unclaimed amount increases in line with deferred state pensions.

The saver can claim all or none of that state pension entitlement and if it's left unclaimed, the value of their state pension currently rises by 5.8% a year.

The report said a three-year delay in claiming a full state pension could boost the value of the state pension by £807 a year.

Lindsey Rix, CEO of savings and retirement at Aviva, said:

"We believe the choice between claiming 0% or 100% of the state pension no longer reflects our increasingly flexible working lives.

"Individuals should be allowed to make flexible withdrawals from their state pension when they reach their state pension age.

"The state pension age acts as an artificial hard line in the working lives of many.

"If we fail to prepare for an ageing workforce, the consequences will be damaging for generations to come."

Contact us for help planning your retirement.

IMPORTANT INFORMATION

The way in which tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to future change. Pension and ISA eligibility depend on individual circumstances.

This document is solely for information purposes and nothing in it is intended to constitute advice or a recommendation. You should not make any decisions based on its content.

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