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Your Money Autumn 2020

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Keep your eye on the ball

A new ScamSmart campaign aimed at fans of the beautiful game has been launched, after discovering they are highly likely to be drawn in by fraudsters targeting long-term pension savings. Research[1] has highlighted that only 43% of football fans approaching retirement knew how much was in their pension pot, but 76% knew the cost of football-related items, such as a season ticket.

The Financial Conduct Authority (FCA) and The Pensions Regulator have teamed up with football commentator Clive Tyldesley, to remind savers to check who they are dealing with before making any changes to their pension arrangements, to reject any unwanted offers and to get advice.

Clive Tyldesley commented, *"Scammers are very good at breaking down your defences and putting you under pressure with various deadlines. But your pension isn't a football transfer – there are no deadlines!... Before you fall foul to savvy scammers, remember to take your time, seek advice, and speak to an FCA-authorised adviser. Don't agree to anything you're unsure of."*

In the last three years, over £30m has been lost to pension scammers. Losses range from under £1,000 to £500,000, some rare cases have topped £1m.

[1]FCA, 2020

Maintain your retirement focus, whether you're 20 or 50+

Nearly a fifth of people (18%) aged 50 and over say their retirement plans have already been impacted or may be impacted by the pandemic, recent research has revealed[2]. Of these respondents, 25% say they have not been able to retire due to their finances, a fifth have had to use some of their retirement savings whilst out of work and 10% have retired sooner than they had originally planned due to redundancy caused by the pandemic.

On the back foot

Other data[3] clearly highlights the plight of employees in certain industries, who were already struggling to save into a pension, and now face a lifetime of 'playing catch up' with their retirement savings, a devasting blow for many. Two-thirds of retail workers are worried that they would soon run out of money if they did retire and over a quarter of people working in the arts and travel industries have not yet started saving into a pension at all.

Auto enrolment plays its part

Despite this, there is some positive news to bestow, courtesy of auto enrolment. Thankfully, over ten million people have saved into a workplace pension. On the flip side, there are indicators that the encouraging effect of auto enrolment is beginning to diminish somewhat, with nearly half of 22 to 29-year-olds still not doing enough to prepare for later life and many potentially facing retirement poverty, a very sad reality.

Prioritise you

Whatever stage you're at and whatever sector of the economy you work in, it's never too early or too late to get your retirement plan in good shape.

If you're older, postponing retirement may be a consideration or if you lose your job, you might choose to retire earlier than originally intended. If you still have a job but your savings have been impacted, delaying retirement to give yourself more time to prepare may be an option. If you're younger, try not to allow any dips in income to impact your pension contributions. Small, frequent contributions throughout your working life build up quickly and can make a real difference to the quality of your retirement.

Take your time before making life-changing financial decisions

Everything depends on your personal circumstances. The overriding message is that, now more than ever, for many people, decisions about their retirement have been driven by the financial impact of the pandemic, as opposed to personal choice. We want you to be in a position to call the shots, to have options and to be in control of your retirement. We're here for all your financial planning needs, whatever your circumstances.

[2]Co-op, 2020, [3]Scottish Widows, 2020

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In the news

Private pension age – on the rise

The government has confirmed the age at which individuals can access their private pension will increase from 55 to 57 in 2028. The move means those retiring in the future will have to wait longer to access their pension. The government had indicated six years ago that they intended to do this, finally providing confirmation of their plans on 3 September.

£40.6bn spent on lockdown entertainment

Research shows that the UK population spent £40.6bn, or a staggering £771.34 each, on dispensable items to alleviate lockdown boredom[4]. Popular purchases included takeaways (24%), summer clothes (19%), garden plants and flowers (16%). Not every purchase was so conventional. Topping the list of the peculiar items procured by lockdown consumers were an antique diving suit, an inflatable pub, a piece of the moon and a penny farthing bicycle! Interestingly, the majority of customers were content with their lockdown purchases, with just 6% regretting their expenditure.

Lockdown savers squirrel away the cash

Over a third (37%) of the UK population managed to put away more money during lockdown as daily expenditure on commuting and leisure activities dramatically decreased. It seems Britain's growing army of savers are here to stay, with 36% stating they aim to keep cutting costs post-lockdown[5].

[4]Barclaycard Payments, 2020
[5]Nationwide, 2020

Can money worries remodel your brain?

Financial anxiety is a feature of many people's daily lives at the moment. Hundreds of thousands of people have lost their jobs, while the end of the furlough scheme threatens the livelihoods of many more.

Lying awake at night counting the pennies may cause more harm than just making you tired the next day.

A lack of financial resilience

In a 2018 study, Zurich[6] teamed up with a neuroscientist to explore the impact of not being financially resilient on our mental health and brain chemistry.

The study asked a group of survey respondents whether they believed they were financially resilient. Of those who did not, more than eight in ten said they regularly wake up at night worrying about money.

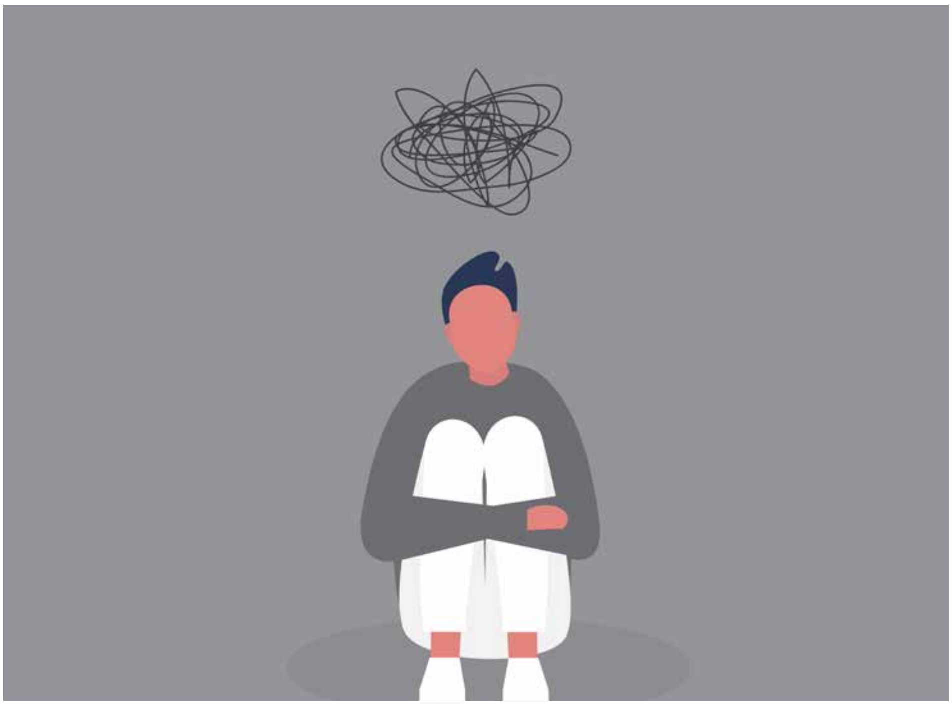
Neuroscientist Dr Jack Lewis suggested that chronic anxiety and stress releases large amounts of the stress hormone, cortisol, into our bloodstream. He continued: *"Constantly worrying about finances means having chronically elevated cortisol levels, which gradually wears us down. In extreme cases, it can actually remodel certain brain areas."*

Ways to carry on

According to the research, one in three respondents said they would be unable carry on with normal life if they experienced a financial shock or loss of income. There are things you can do to mitigate the impact.

Products such as income protection insurance, critical illness cover and life insurance can all help to buffer you and your family against life's unexpected shocks. The payouts on these policies, should valid claims arise, can help you maintain your family's lifestyle, pay your bills and mortgage, and get you back on your feet without significant financial damage.

[6]Zurich, 2018



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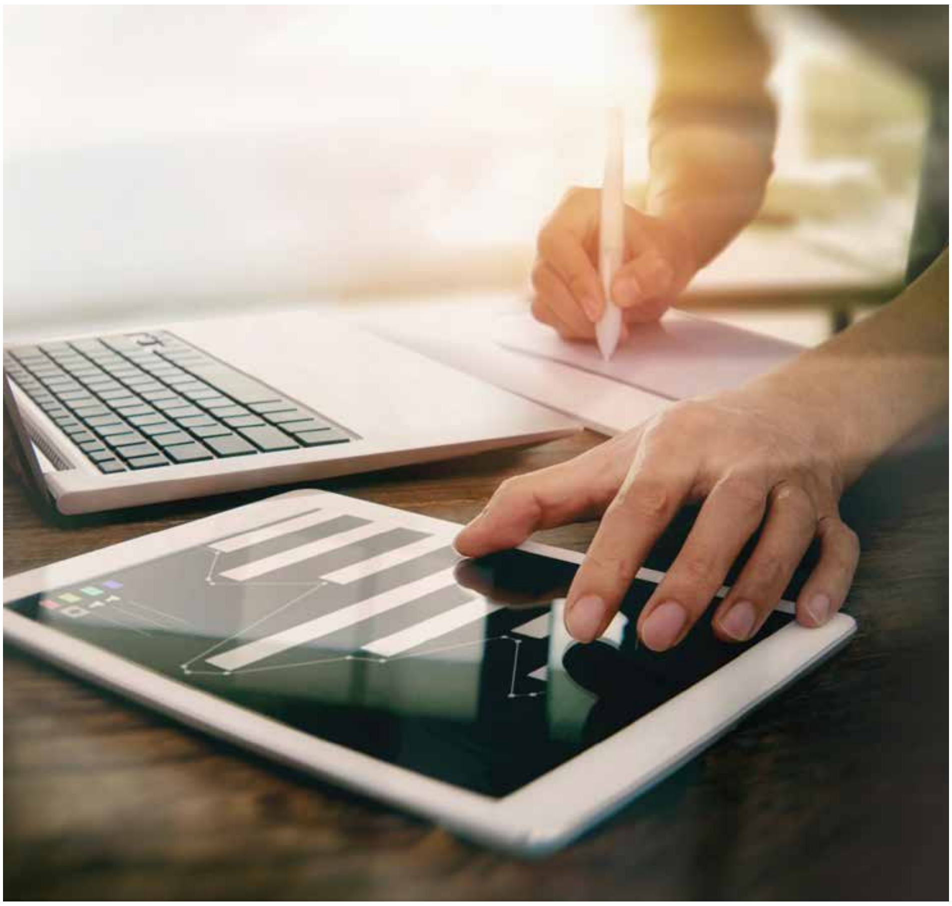

The ISA reaches 21

Back in 1999, when the ISA was first launched, choice was limited to either a cash ISA or a stocks and shares ISA, and the allowance was just £3,000 for a cash ISA or £7,000 for a stocks and shares ISA each tax year. Fast forward 21 years and the overall allowance has risen to £20,000 and the range has been extended.

ISAs have proved a popular investment choice over the years; the latest government figures show around 11.2 million adult ISA accounts were subscribed to in the 2018–19 tax year, with new investments totalling around £67.6bn. The total investment of £20,000 can be spread across different types of ISA. Any investment growth is tax free.

First route to investment

Introduced in 2011, Junior ISAs (JISAs) can be opened by parents or a guardian with parental responsibility (without affecting their own £20,000 ISA allowance) for a child from birth. In March this year, the JISA annual allowance per child was almost doubled to £9,000 each tax year. The child is unable to access the cash until they reach the age of 18. Again, a popular choice, around 954,000 JISAs were subscribed to in the 2018–19 tax year, with new investments totalling £974m.

Lump sum or regular amounts add up

Recent hypothetical analysis reveals that, if you had been able to invest your full ISA allowance for each of the past 21 years (totalling £226,560) and this had been invested in the FTSE All-Share Index, as at 6 April 2020, your total investment would have been worth over £307,000[7]. And a monthly contribution of £100, invested in the FTSE All-Share Index over 21 years (totalling £25,200), would be worth over £39,000 at 6 April 2020. These figures exclude charges or fees and take into account the large market fall prompted by the pandemic this spring.

If you're looking to invest tax efficiently, we can help.

[7]Fidelity and Datastream, 2020

Rediscover what's right under your nose

As the uncertainty surrounding international travel prevails, it's understandable that there has been an 800% rise in Brits searching for 'Staycation UK' in recent weeks[8].

Closer to home

It seems that the pandemic is prompting us to rediscover and appreciate what's on our doorstep. This attitude extends to our finances too. Over the years, life ramps up a notch and it's easy to lose track of monetary matters. If this sounds familiar, you're certainly not alone; one in five savers have lost track of a pension pot, a situation likely to worsen. Meanwhile, 43% of us have lost track of a bank account, 17% don't know what's happened to their Premium Bonds and 15% have been separated from an ISA[9] – leaving them unnecessarily out of pocket.

Back in the driving seat

Taking stock of your finances and appreciating what you already have can give you a sense of financial control during uncertain times. If you feel like you need to tighten your grip on your finances, a review can help you make the most of what you already have and set you up to plan ahead and fill any gaps in your financial armour. Before setting off on an autumn staycation, contact us to get reacquainted with your finances.

[8]Staysure, 2020, [9]NS&I, 2018

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The intergenerational impact of the pandemic

It seems different age groups have been impacted by the pandemic in vastly different ways. And although older generations have irrefutably suffered the most significant health impact, it seems younger generations have shouldered both the financial and social burden of the outbreak, research concludes[10].

The FCA concur, younger people have taken the prime financial hit. This can be attributed to the distinct probability that they are working in some of the sectors most affected by the pandemic, including retail, leisure and hospitality.

Significant challenges faced by all
This intergenerational pattern manifests in the workplace too[11]. Younger (under 25) and older (50+) workers face distinctive, but real, challenges. Those aged under 25 are more likely to be furloughed, while over-50s are more exposed to health risks because of their increased presence in sectors containing key workers.

In addition, disruption to training opportunities and education will make it harder for younger people to achieve employment in a depressed jobs market.

Comfortable in the middle?
Those aged between 25 and 50 are at lower risk of being impacted by the health and financial risks of the pandemic. They are more likely to own their own homes, are at lower risk of severe health implications and have a greater chance of working in sectors less vulnerable to shut down.

Chin up
Whatever age you are, why not get in touch, we can advise on all aspects of your financial planning.

[10]OECD, 2020, [11]Business in the Community, 2020

Are you financially fit for the new norm?

Times are a changing – take some time out to make sure your finances still match your lifestyle and needs.

Budget – Review your income and outgoings, particularly if your circumstances have changed.

Debt planning – Prioritise clearing any debt you have, including credit card balances or loans.

Get saving – Peace of mind can be gained from having a minimum of three to six months' income as a buffer. If you were lucky enough to save in lockdown, channel some into a savings account.

Have backup – Protection policies such as income protection and life insurance offer an essential safety net. If you have policies in place, do they still offer the most suitable cover?

Think long-term – Don't let short-term events divert you from future plans. Investing into a pension, no matter what age you are, is vital.

Take advice – We can help you see the bigger picture, weigh up your options and make a balanced plan for your individual needs.

Life insurance payouts will keep your family afloat

In 1912, when the 'unsinkable' Titanic hit an iceberg and sank, accident and life insurance companies lost almost $3.5m, with the tragic accident leading to some of the largest insurance payouts ever.

Of all those who perished, Herbert F. Chaffee of North Dakota held the largest life insurance policy. His beneficiaries received $146,750, equivalent to around $3.9m today.

Still relevant
Recent events have taught us that life insurance is just as important in 2020 as it was over a hundred years ago. The pandemic has led to the loss of more than 40,000 lives in the UK and over 890,000 globally. Many grieving families have been left financially devastated.

Life insurance is often cheaper than many people think and ensures your dependants will be financially secure should the worst happen. It's not worth leaving your family's future to chance.

IF YOU WOULD LIKE ANY ADVICE OR INFORMATION ON ANY OF THE AREAS HIGHLIGHTED IN THIS NEWSLETTER, PLEASE GET IN TOUCH.

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It is important to take professional advice before making any decision relating to your personal finances.

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