Money@IFA Ltd

Newsletter Autumn 2019

We are living longer

You may be spending longer in retirement than you first thought

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Welcome to the autumn edition of our quarterly client newsletter, which provides topical financial articles.

If you have any questions in relation to the articles contained within this newsletter please do not hesitate to contact us and we will be happy to provide any guidance required.

Whatever your financial need, we are always pleased to speak with you.

Call us on 01274 751224
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We are living longer!

Spending longer in retirement

In 1960, there was very little difference between life expectancy and the age at which a person left the workforce – particularly for men. Now men can expect to live for around 15 years and women around 20 years after leaving the workforce. This means on average people in the UK are spending longer in retirement.

The good news is; we can generally expect to spend a reasonable time in retirement. A stark contrast to when there was less difference between life expectancy and the age at which people finished work.

Part of considering having enough money to enjoy the lifestyle you want in retirement could be looking at ways to extend working or phasing your retirement. Both of which can bring you positive benefits.

Extend your working life

Extending working lives can also bring many positive benefits to individuals. Financial stability and better health and well-being are some of these benefits. However, these can be dependent on the “quality of work” - for example, whether work is flexible and employees have a choice of the work they do.

Phased retirement

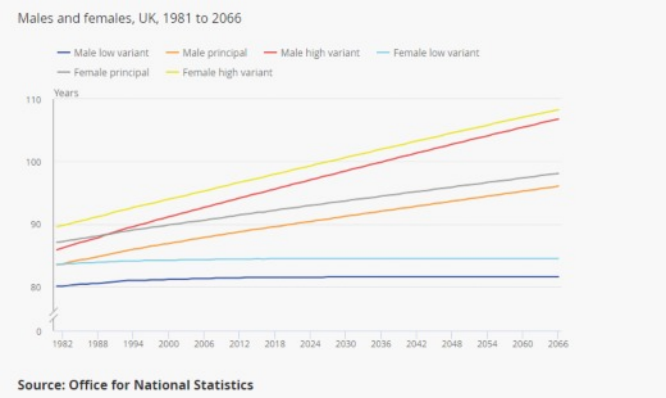
Phased retirement can allow people the best of both worlds by gradually transitioning into retirement. Phasing your retirement typically involves reducing your working hours, which can free up more time to spend with friends and family or to concentrate on other interests.

You may be able to withdraw part of your pension to substitute loss of income. Pension flexibility has increased the options available for those who wish to phase retirement. There is no requirement to use a pension all in one go, or to draw it at the earliest opportunity. In fact, you might choose to take some tax-free cash only and leave the rest (hopefully) growing for the future. If you have other sources of income, you might decide to defer taking your pension altogether, even after you’ve given up work.

Community activities

Living longer can have benefits for individuals including the opportunity to contribute more to society through voluntary work and other community activities and to enjoy a longer retirement.

Retirement today offers more choice in that your life and your options can be more varied in regards to when and how you access any private pension pots. It may be possible for you to take early retirement or carry on working beyond your state pension age.



Accessing pension benefits early may impact on levels of retirement income and your entitlement to certain means tested benefits and is not suitable for everyone. you should seek advice to understand your options at retirement.

Is the triple lock pension at risk?

There is talk of the triple lock on state pensions not being sustainable in the longer term. This could affect the guarantee on future pension pay-outs.

Whether the triple lock stays or goes; your State Pension while providing a foundation may not be enough to enjoy the retirement you would like. Even if you're eligible for the full State Pension of £168.60 a week for the tax year 2019-20, this can be below what most people hope to retire on.

If you're coming up to or already in retirement and have a question about your pension or retirement needs, get in touch with us. It's never too soon.

Pensions are not normally accessible until age 55. your pension income could also be affected by interest rates at the time you take your benefits. the tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation, which are subject to change in the future.

What is the 'triple lock'?

Pensioners have enjoyed special protection from the triple lock, which was introduced in 2010. It is a guarantee to increase the State Pension every year by inflation, by 2.5% or increase in average earnings – whichever is higher. The idea behind it was to protect pensioners from meaningless increases in the state pension and to make sure their income was not eroded by the gradual increase in the cost of living.

Is the State Pension triple lock guaranteed?

The triple lock is remaining for now but there's talk of it being unsustainable. The House of Lords committee on intergenerational fairness has delivered a series of recommendations; their report was published on Thursday 25 April 2019. It calls for policies to support younger people in the employment and housing markets.

Their report recommends removing the triple lock for the state pension, saying the triple lock is inherently unsustainable. This leaves the future of the UK state pension system uncertain.

How does the triple lock affect my State Pension?

The triple lock has allowed the State Pension to keep growing at a rate that allows you to purchase the same amount of goods (or more depending which of the 3 rates is the highest) as last year. But the guarantee of the triple lock may be proving too expensive and you may need to save more than you think for a comfortable retirement.

Protect from the unexpected

Protect Your Family

There's no way to protect your loved ones from all the bad things that can happen to them. One thing we can plan for, is to protect our family from the financial stress of health problems.

We never think a critical illness is going to happen to us, especially when we feel fit and healthy, but it can and does. Considering care options in advance can often be helpful.

Health Care Demands

There have been many financial consultations over the years on the "funding of social care". It has been a popular topic with an acknowledgement that the system is overdue for reform, as social services in England struggle to finance rising demand.

The government is working to provide a social care system that provides care for those who need it, and which enables people to retain their independence and dignity.

People who have assets of more than £23,250 have to pay for all their care, those with assets of between £14,250 and £23,250 would get some help and below that all care is funded. These figures relate to care costs in England. It's worth looking at how you might fund long-term care should the need arise.

An "immediate care plan" known as an "immediate needs annuity" is an insurance policy that works in the same way as annuities in retirement. In return for a set premium, the policy undertakes to pay a regular income towards a person's care costs for the rest of their lives.

The level of premium will depend on things such as a person's age, health and choice of care home. The minimum age for an immediate needs annuity is usually around 60.

It's always best to start planning early, follow good advice and invest wisely.

Critical Illness Cover

Critical illness is a form of insurance which pays out a tax-free lump sum in the event that you are diagnosed with a specified illness or medical condition during the term of the policy. The money from a critical illness claim can be used to pay for treatment, make adjustments to your lifestyle or help to cover lost income while you recover.

Critical illness insurance will pay out if you get one of the specific medical conditions or injuries listed in the policy. But not all conditions are covered and the policy will also state how serious the condition must be. Examples of critical illnesses that may be covered are: stroke, heart attack, some types of cancer, multiple sclerosis etc.

Most policies will also consider permanent disabilities as a result of injury or illness. The policy only pays out once and then it ends.

Some policies will make a smaller payment for less severe conditions, or if one of your children has one of the specified conditions.

Critical illness is usually added to life insurance, and the cost will depend on your age and medical history.

The rise of the Lifetime ISA

In 2015 we saw the launch of the Help to Buy Individual Savings Account and in 2017 the Lifetime Individual Savings Account (LISA). This November sees the Help to Buy ISA being replaced by the LISA.

Help to Buy ISAs and LISAs have similarities, with the Help to Buy ISA being used to buy a first home and the LISA being used to buy a first home or to save for later life.

You'll be able to open a Help to Buy ISA until 30 November 2019. After that date they won't be available to new savers anymore – but if you opened your Help to Buy ISA before then you can keep saving into your account until 30 November 2029 when accounts will close to additional contributions. You must claim your bonus by 1 December 2030.

Lifetime ISA

You must be 18 or over but under 40 to open a Lifetime ISA. You can put in up to £4,000 each year, until you're 50. The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year.

LISA for your first home

Your savings and the bonus can be used towards a deposit on a first home worth up to £450,000 across the country.

Accounts are limited to one per person rather than one per home – so two first time buyers can both receive a bonus when buying together.

If you have a Help to Buy ISA you can transfer those savings into the Lifetime ISA, or continue saving into both – but you will only be able to use the bonus from one to buy a house.

You need to have had the Lifetime ISA open for at least 12 months to withdraw cash for your first home.

Save for Retirement with a LISA

After your 60th birthday you can take out all the savings from your LISA tax-free.

You can withdraw the money at any time before you turn 60, but you will lose the Government bonus if you are not using it to purchase a first home (and any interest or growth on this).

You will also have to pay an early withdrawal charge (25% of the amount withdrawn) if you withdraw any money before you are 60.

- You can save up to £4,000 a year, and get a 25% bonus each month.
- The Lifetime ISA is an individual product, couples can have one each
- You're not locked in. You are free to transfer it to another provider
- You must be aged 18 or over and under 40 when you open a LISA.
- You can have a Lifetime ISA and a Help to Buy ISA
- You can use it to save for retirement
- The money is to be used towards a first home worth under £450,000 or once you're over 60 towards retirement
- Because it's an ISA, the savings interest is tax free
- If you have a Lifetime ISA and a Help to Buy ISA you can only use the Government bonus from one

Help for first-time buyers

There are several government schemes to help help first-time buyers. These include Help to Buy, Right to Buy and Shared Ownership.

With house prices rising, getting on the property ladder can feel daunting; it is never too early to start saving.

Help to Buy Equity Loan	The Government will lend you up to 20 per cent of the home's value - or 40 per cent in London - after you've put down a five per cent deposit. The loan is on top of a normal mortgage but it can only be used to buy a new build property. Help to Buy Equity loans are currently set to run until 2023 (for first-time buyers).
Lifetime ISA	This is another Government scheme that gives anyone aged 18 to 39 the chance to save tax-free and get a bonus of up to £32,000 towards their first home. You can save up to £4,000 a year and the Government will add 25 per cent on top.
Shared Ownership	Co-owning with a housing association means you can buy a part of the property and pay rent on the remaining amount. You can buy anything from 25 to 75 per cent of the property but you're restricted to specific ones.
Help to Buy ISA	It's a tax-free savings account where for every £200 you save, the Government will add an extra £50. But there's a maximum limit of £3,000 on the government bonus which is paid to your solicitor when you move. **After 30th November Help to Buy ISAs won't be open to new savers.**

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