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Autumn retirement round-up

Several retirement reports have hit the headlines recently with a consistent message: if you want a comfortable retirement, you should plan early and be flexible.

Could a phased retirement approach work for you?
Research from Standard Life[1] suggests a 'gradual transition' into retirement could be one of the best ways to boost your pension pot. It suggests that continuing to work part-time or taking on freelance projects can help to maintain a steady income stream as your pension continues to grow. In fact, the company's analysis demonstrates that working three days a week from age 66 to 70 could add an extra £97,000 to a pension pot. This approach also means the opportunity to explore new interests or volunteer work before fully committing to retirement.

More Britons facing a retirement shortfall
Unfortunately, the retirement picture isn't entirely rosy. According to Scottish Widows' annual retirement report[2], a significant portion of the population (38%, up from 35% last year) are not saving enough for a comfortable retirement.

The report also found 54% of UK retirees expect to work an extra seven years on average, while 27% who have made retirement plans don't feel they will ever be able to afford them. This shortfall is being worsened by rising living costs and stagnant wage growth.

Flexibility is key
One recurring theme in most retirement research is the need for flexibility. Having options in how you access and manage your pension can be crucial. Whether it's phasing your retirement or adjusting your income based on the prevailing market conditions, being flexible in your approach and income needs could help you adapt to life's uncertainties.

Don't leave retirement planning too late
While it's concerning to hear of people having retirement regrets, it's important not to ignore the issue and instead do something about it when you can. As we enter autumn, now might be the ideal time to refresh your retirement plan and make sure you feel on track and well-prepared for the years ahead. Retirement is a time to thrive, not count the pennies.

[1]Standard Life, 2024, [2]Scottish Widows, 2024

Women take the lead opening JISAs

Have you opened a Junior Individual Savings Account (JISA) for your child? If so, it's a great financial priority to support long-term savings goals for the children in your family. Research has highlighted that women have led the way on opening JISAs every year since 2019, when the data was first analysed.

Despite the gender pay gap, women have surpassed their male counterparts by over 9% when opening these products. Analysis[3] of investment trends in the last five years shows the number of JISAs women have opened is up 128%, compared with an uptick of 101% by men. One fifth of UK women said their highest priority future financial goal is saving for their child or grandchild, with 15% of men ranking this a priority for them.

The analysis also shows *'new JISA sales were up in every region of the UK, since 2019, with northern regions of the UK largely leading the charge.'* It was Scotland that led the way, with an increase of 225% in the last five years, followed by the East Midlands and North West, seeing increases of 153% and 117% respectively. However, the amount being saved has reduced over the period, likely due to the pandemic and cost-of-living pressures more recently.

Commenting on the data, Scottish Friendly's, Jill Mackay, said *"It's positive to see that parents and guardians are prioritising saving for children as part of their long-term financial goals… Being able to set aside a lot of money may not be an option with day-to-day financial demands as they are. But starting as soon as possible and just putting a little away into a stocks and shares JISA could build to be a substantial amount over time."*

[3]Scottish Friendly, 2024

The value of investments can go down as well as up and you may not get back the full amount you invested. The past is not a guide to future performance and past performance may not necessarily be repeated.

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Money worries outweigh study concerns for almost half of students

Have you got a child at university? If so, it's likely, according to a new study[4], that they'll be more worried about the cost of living (a top-rated concern for 47% of students), than their academic studies (26%). Other main concerns of university students in the UK are listed as personal health and wellbeing (10%), next steps following university (9%) and career development (8%).

Loud budgeting – good for your savings?

The viral financial trend 'loud budgeting', where people are increasingly open about what they do and don't want to spend their money on, is enabling people to set boundaries with friends and family. Research[5] has shown that Gen Z (aged between 18 and 27) are most comfortable loud budgeting, with 61% happy to have these conversations with friends and 71% with family. Meanwhile 49% of those aged 35 to 54 and 50% of those aged 55+ feel comfortable talking about finances with friends, with 61% of 35 to 54-year-olds and 69% of over-55s at ease discussing financial constraints with family.

[4]UNiDAYS, 2024, [5]Standard Life, 2024

Finding midlife balance

Midlife can be demanding. Having moved onto – and, perhaps, up – the housing ladder, started a family and settled down, you would think you might have earned an easy ride.

Yet midlife demands on your time and money can make you feel you are being pulled in a hundred different directions. Between supporting your family and saving for your retirement, there are many pressures on your life and finances… before even getting to spend your hard-earned gains on the things you want!

The good news: it's possible to strike a balance between spending and saving.

Sort your savings
A clear savings strategy is the bedrock of financial freedom. When the costs start mounting, go back to basics and put spare money towards your future. Consider a stocks and shares ISA for long-term goals. And don't forget to have an account you can access instantly for emergencies.

Have a plan
To enjoy your spending to the full, it's a good idea to plan ahead. This is especially true with your retirement; know (and start acting towards) your plans as early as possible. Think too about taking out protection to ensure your financial security (and that of your loved ones) isn't thrown off course by illness or death.

Spend (wisely)
When you're squirrelling cash into your pension and feel like every outgoing is a bill, it's important to take a breath and remember: *'life is for living.'* That isn't an invitation to be reckless; it's about finding a balance between future financial security and enjoying your life now.

If you want to take your family on a memorable summer holiday, don't deny yourself. Instead, cut back on the things that bring less joy. Ask yourself how much that extra streaming subscription would really enrich your life.

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Self-employed? Remember your pension

Over one million individuals have entered self-employment since 2020[6], so it is important to ensure you are still planning for retirement by making regular pension contributions.

A growing sector
In 2023, there were 4.2 million people in the UK's solo self-employed sector – 3% higher than the previous year. Overall, the solo self-employed contributed £331bn to the UK economy, up from £278bn in 2022. But, concerningly, 45% of freelancers are not saving into a pension[7].

Make it a priority
We know it can be easy to forget about your pension, seeing as employed people are auto-enrolled into a pension scheme by their workplace, but if you are freelance it is your responsibility.

The sooner you start saving for retirement, the more you can grow your investment and benefit from tax relief on contributions (within limits). Putting it off only means that you will need to save more in a shorter amount of time if you want a comfortable retirement.

Contribute regularly
Decide on a minimum monthly contribution that feels manageable for you. Your income may fluctuate from month to month – that's why you can put more money into your pot when you're doing well.

Seek advice
One benefit of being self-employed is that you have more freedom when it comes to choosing your pension. We can help you plan ahead.

[6]IPSE, 2024, [7]IPSE, 2023

Which pension personality are you?

A recent study[8] has identified several distinct pension personality types, each with its own strengths and challenges. Which one resonates with you?

Procrastination Pete and Paula are the most common type, often overwhelmed by the complexities of pensions. This group is likely to make poor decisions, such as hastily withdrawing a 25% tax-free lump sum without a clear plan – potentially costing them thousands in future income.

Buy-to-Let Brian and Barbara prefer the perceived security of property, though they often underestimate the costs and risks involved. Meanwhile, Spend-It Simon and Sally focus on enjoying life now, potentially jeopardising their long-term financial security by dipping into their pensions early.

Winding-Down William and Wendy are easing into retirement, supplementing reduced work hours with pension withdrawals, while Help-Me Harry and Helen are determined to get it right by seeking financial advice.

Whatever pension personality you relate to, everyone prepares for retirement differently, with attitudes ranging from denial to detailed planning. The great news is that we're the strategic planning type, ever responsive and flexible to your changing circumstances and market conditions. So, however you're approaching retirement, you know that you can count on us.

[8]People's Partnership, 2024

Don't just plan – protect your money

Are you confident you have all the relevant cover in place to protect your finances? Having a financial plan should go hand-in-hand with a conversation about insurance.

The statistics
We may not like to think about death, but the reality is it is inevitable; however, data has revealed that only 29% of UK adults have some form of life insurance[9]. Meanwhile, just 13% have critical illness cover[10]. Even fewer (6%) have income protection, despite one in 13 working people having a long-term sickness[11]. These figures highlight that a concerning number of Brits risk leaving themselves and their loved ones vulnerable during life's toughest moments.

Writing life insurance policies into trust
Writing your life insurance policy into trust is a tax-efficient way of protecting and preserving your wealth for future generations. This arrangement makes your trustees the legal owners of your policy, so the proceeds will not be considered as part of your estate when you die. Not only does this mean that under current rules the payout will not be subject to Inheritance Tax, but your beneficiaries should receive the money swiftly as it will not have to go through probate.

We can advise on the best cover for you and your circumstances.

[9]FCA, 2023, [10]Health Foundation, 2024, [11]ONS, 2023

A third of Gen X think they will never retire

Recently released research[12] suggests a significant proportion of working age people are no longer planning a traditional 'hard stop' retirement, with 45 to 54-year-olds most likely to feel they will continue working beyond pensionable age.

Work work work

According to the survey, more than a fifth of working age adults think it unlikely they will ever completely retire, with those across the 25 to 54-year-old age bracket most likely to hold this view. This was particularly true for Gen X respondents, with almost a third of 45 to 54-year-olds saying they expect to carry on working. There was also a notable gender disparity, with only a third of women thinking they would completely retire compared to almost half of their male counterparts.

Retirement uncertainty

Financial considerations are inevitably a factor for many, particularly those in their 40s and 50s. The so-called sandwich generation can find themselves caring for both elderly parents and children, as well as having to provide for their own needs. Additionally, this group falls between the generations that benefitted from final salary pensions and younger ones reaping the full rewards of auto-enrolment. For Gen Xs, retirement can therefore appear close enough to consider yet too distant to have any certainty over.

Control your future

These findings undoubtedly highlight a shift in attitudes, with the concept of a 'hard stop' retirement increasingly being consigned to history. This could also partly reflect the fact that today's workers can exert a higher degree of control over their retirement plans, with savers enjoying greater freedom over when and how to use pension savings, including the ability to set funds aside to help loved ones. So, if you want to take control of your financial future, get in touch and we'll help you consider the full picture and plan a retirement that's just right for you.

[12]Aviva, 2024

Get into the savings habit to enhance your wellbeing

A report from UK Savings Week shows that having a savings habit improves wellbeing.

Savers on the lowest incomes were found to benefit the most from regularly putting money aside, with 53% of this group reporting that they are satisfied with their life. However, only 40% of low-income non-savers could say the same[13].

Interestingly, low-income savers had similar satisfaction levels to those on much higher incomes who were not regularly saving. This highlights that, no matter how much money you are saving, it is an important action which boosts wellbeing - it helps savers to feel positive about the future and feel financially protected against unexpected events.

Andrew Gall, Head of Savings at the Building Societies Association, commented, *"The UK Savings Week campaign encourages organisations to promote the benefits of having and actively managing savings. Its overarching aim is to help individuals build their financial resilience and make their savings work as hard as possible for them."*

[13]UK Savings Week, 2024

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