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Financial Viewpoint

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Report highlights pensions savings gap

A recent Scottish Widows UK Pensions Report suggests most people are not saving enough money for their retirement.

The report, based on an online survey of 5,216 UK adults by independent research agency YouGov, examined the nation's attitudes and behaviour towards pensions saving. Its findings suggest that, while there are signs more people are now making the effort to save for retirement, they are not saving at high enough levels.

Please get in touch to arrange your pension audit.

Most people aren't saving enough

The report states that only 45% of people are making enough provision for their retirement, down from 46% in 2012. There are also clear age and gender gaps when it comes to pension planning, with 49% of men currently saving adequately compared to 40% of women, and over-50s (53%) in a better position than their younger counterparts in the 30-50 age group (42%).

Great expectations

Scottish Widows' report also showed that the average British worker anticipates retiring at around 66, and is looking for a retirement income of £25,000 a year. That would require savings of £1,000 a month from age 30.

However, someone currently earning £25,000 a year, and saving at the survey average of 12% a year (£250 a month in this case), would actually see their income in retirement fall to less than half of this figure. This suggests an apparent gap between people's income expectations, and their likely retirement position, if their savings behaviour remains unchanged.

Increasing your retirement income

There are three key 'levers' you can pull to influence your income in retirement:

- when you start saving
- how much you save
- when you retire.

Evidently, you should begin saving as early as you can. Starting to save at age 20 rather than age 30 can increase retirement income by 39%.

Increasing the amount you save can also make a significant difference. For instance, increasing your savings by 3% of earnings every five years could increase your retirement income by just over two-thirds. Meanwhile, deferring your retirement from 65 to 70 could increase your retirement income by 43%.

Take professional advice

Everyone would like to enjoy a comfortable retirement. While we all know we should save as much as we can from an early age, it's easy to become complacent about pension planning. By arranging a pension audit and regularly reviewing your pension arrangements with us, you can help ensure you stay on track with your retirement strategy.

The key to protecting your business

If you run your own business, you probably have one or more key employees integral to its success.

But have you considered what would happen if they suddenly died, or suffered a critical illness that forced them to be absent from work for a long period of time?

If the unexpected happened, it could pose a serious risk to your business.

All responsible business owners insure tangible assets like machinery, office equipment and vehicle fleets. But many overlook what is often the most valuable asset of all: the 'key person' (or people) that directly contributes to its profits.

A 'key person' is an individual whose skill, knowledge, experience or leadership contributes to the continued financial success of the business. Anyone whose death or critical illness could lead to a financial loss for the business, through loss of profits or having to recruit or train a replacement, should be considered a 'key person'.

How long could your business last?

In a recent survey of 500 business owners, insurer Legal & General found that 61% identified the loss of a key individual as the biggest single risk to their business.

In addition, it found that 26% of businesses survive for less than one year after the death or serious illness of a key individual, with 12% forced to cease trading immediately.

Safeguard your business

Key Person Protection helps your business insure itself against the financial loss it may suffer following the death, or critical illness, of a key person.

There are a number of ways of working out what impact the loss of a key person will have on future profits. We can help you determine the appropriate level of cover you should put in place to protect your business.

To find out more about the full range of Business Protection products we can offer advice on, please get in touch.

Workplace pensions

Whether you're an employer or employee, new pensions legislation could have a significant impact on you.

Over the next few years, employers will need to comply with the Pensions Act 2008. As a result, every employer must automatically enrol workers into a workplace pension scheme if they:

- are aged between 22 and State Pension age
- earn more than £9,440 a year
- work in the UK.

This is called 'automatic enrolment'. If you are already enrolled in a workplace pension scheme, you won't be affected. But if your employer doesn't currently contribute to your pension, the law requires that they will have to.

Impact on employers

Automatic Enrolment legislation will result in more employers encouraging their staff to save.

All employers will be required to:

- automatically enrol eligible employees into a 'qualifying pension scheme'
- contribute a minimum of 3% of each employee's 'qualifying' earnings.

Impact on employees

An employee's own contributions and tax relief will be added to the 3% employer's contribution. This will continue to meet a minimum of 8% contribution rate from 2018, as follows:

Minimum contribution	Employee pays	Tax relief	Employer pays
8%	4%	1%	3%

The government intends to introduce these contributions in stages:

	Employee pays *less tax relief*	Employer pays
Before October 2017	1% less 0.2% tax relief	1%
October 2017 to October 2018	3% less 0.6% tax relief	2%
From October 2018	5% less 1% tax relief	3%

If you need help understanding the impact of pension reform on your business, or your personal financial planning, we can help.

Please get in touch for more information.

Key dates for employers

Automatic enrolment is being phased, or 'staged', depending on an employer's size.

The first staging date for the largest employers was 1 October 2012. If you are an employer or an employee, you should know when your staging date is.

Employer size	Auto-enrolment staging date
120,000	1 Oct 2012
50,000 to 119,999	1 Nov 2012
30,000 to 49,999	1 Jan 2013
20,000 to 29,999	1 Feb 2013
10,000 to 19,999	1 Mar 2013
6,000 to 9,999	1 Apr 2013
4,100 to 5,999	1 May 2013
4,000 to 4,099	1 Jun 2013
3,000 to 3,999	1 Jul 2013
2,000 to 2,999	1 Aug 2013
1,250 to 1,999	1 Sept 2013
800 to 1,249	1 Oct 2013
500 to 799	1 Nov 2013
350 to 499	1 Jan 2014
250 to 349	1 Feb 2014
50 to 249	1 Apr 2014 to 1 Apr 2015
30 to 49	1 Aug 2015 to 1 Oct 2015
Less than 30 employees	1 Jun 2015 to 1 Apr 2017
New employers	1 May 2017 to 1 Feb 2018

We recommend you start planning for your staging date around nine months ahead of time.

Could you benefit from 'Help to Buy?

You may soon find it easier to join or move up the property ladder, thanks to the extension of the government-backed Help to Buy scheme.

Help to Buy has been in operation for some time, albeit in various guises. The scheme was initially designed to drive first-time buyer activity and support the homebuilding industry. But over recent months the focus has moved away from solely first-time buyers, with nearly all owner/occupiers in line to benefit from the new schemes.

The Help to Buy scheme is made up of two parts:

- an 'equity loan' *(from 1 April 2013),* where the government will lend you up to 20% of the value of your newly-built home
- a 'mortgage guarantee' *(from October 2013),* where the government will guarantee part of your mortgage if you only have a small deposit.

Sources: HM Treasury, Help to Buy: Mortgage Guarantee Scheme Outline
Helping people to buy a home, www.gov.uk Contains public sector information licensed under the Open Government Licence v2.0

To discuss your mortgage options, please get in touch.

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Help to Buy equity loan

The Help to Buy equity loan scheme is designed to help up to 74,000 home buyers, as well as providing a boost to the UK's construction sector.

It is available to all those who aspire to own a new-build home, but struggle to access or afford the repayments on a low-deposit mortgage. As part of the scheme, the government has committed to:

- provide an equity loan worth up to 20% of the value of a new build home, interest free, for the first five years
- widen the eligibility criteria for equity loans to ensure as many people as possible are able to benefit
- allow a maximum home value of £600,000
- ensure it is open to all those looking to move up the housing ladder (not just first-time buyers)
- operate the scheme until 31 March 2016, or earlier if the funding is used up.

Help to Buy mortgage guarantee

The exact details on the Help to Buy mortgage guarantee scheme are still being finalised. But it is expected that the scheme will offer a government guarantee to lenders who provide mortgages to people with a deposit of between 5% and 20%. It will help people:

- buy a newly-built home or an existing property with a deposit of only 5% of the purchase price
- who are existing homeowners or first-time buyers
- purchase properties with a value of up to £600,000.

The scheme is also scheduled to run for three years.

What's your next move?

The broadening of the Help to Buy scheme is expected to help many more people realise their property ambitions over the months and years ahead – although it is important to note that the scheme is not available for those wishing to purchase a second home or Buy to Let property.

If you've been delaying your next move up the property ladder, now might be the right time to revisit your options.

For this service a fee of £395 is payable on application.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Reducing the risk

The events of the past few years have made investors more aware of the risks posed by market volatility. While investing always carries risk, there are ways to help reduce it.

One of the most effective strategies for reducing investment risk is known as 'multi-asset investing' – or, put simply, not putting all your eggs in one basket.

Why does multi-asset investing work?

The principle behind this strategy is to invest in a variety of assets, each of which reacts differently to changes in the economic and market background. A drop in value of one asset class may then be offset by increases in other asset classes, leading to smoother overall performance.

In order to show how difficult it is to second guess what might happen, take a look at the example of European Equities:

- Between 2003 and 2007 it occupied the number one or number two spots, with positive growth for five successful years.
- In 2008, this asset class was the second worst performer, suffering a large fall.
- In 2009, it rebounded to become the second best performer.
- In 2010, European Equities was the second worst performer and then became the worst performer in 2011.
- It rebounded again in 2012 to be the top performer.

Spreading your investments across multiple asset types can help to reduce risk. Whatever your level of investment experience, you can benefit from professional advice.

If you'd like to discuss the investment options we can offer, please get in touch.

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Property 7.1%	Commodities 11.2%	Euro equities 29.8%	Property 18.9%	Commodities 37.0%	Euro equities 20.1%	Commodities 18.5%	Global bonds 45.1%	UK equities 30.1%	Commodities 27.4%	Gilts 15.7%	Euro equities 17.8%
UK corp bonds 6.1%	Property 10.4%	UK equitiess 20.9%	Euro equities 13.8%	Euro equities 24.1%	Property 18.1%	Euro equities 15.7%	Gilts 12.8%	Euro equities 20.1%	US equities 20.0%	Property 8.3%	UK corp bonds 13.1%
Cash 5.6%	UK corp bonds 10.0%	US equities 15.7%	UK equities 12.8%	UK equities 22.0%	UK equities 16.8%	Global bonds 9.5%	Cash 5.7%	Commodities 19.8%	UK equities 14.5%	Global bonds 7.4%	UK equities 12.3%
Gilts 3.0%	Gilts 9.3%	Property 11.2%	UK corp bonds 6.7%	Property 18.8%	Cash 5.0%	Cash 6.2%	Commodities 5.6%	US equities 12.6%	Property 14.3%	UK corp bonds 6.9%	US equities 11.1%
Global bonds 1.8%	Global bonds 7.9%	UK corp bonds 5.4%	Gilts 6.6%	US equities 17.3%	US equities 1.6%	UK equities 5.3%	UK corp bonds -4.1%	UK corp bonds 10.8%	Global bonds 9.8%	US equities 2.5%	Gilts 2.7%
US equities -9.6%	Cash 4.1%	Global bonds 4.0%	Cash 4.5%	UK corp bonds 9.0%	UK corp bonds 0.7%	Gilts 5.3%	US equities -12.8%	Property 2.2%	UK corp bonds 8.4%	Cash 0.9%	Property 2.4%
UK equities -13.3%	UK equities -22.7%	Cash 3.8%	Global bonds 4.3%	Gilts 7.9%	Gilts 0.7%	US equities 3.7%	Property -22.5%	Cash 1.3%	Gilts 7.2%	UK equities -3.5%	Cash 0.8%
Commodities -14.1%	Euro equities -27.1%	Gilts 2.1%	Commodities 3.7%	Global bonds 7.3%	Commodities -0.4%	UK corp bonds 1.8%	Euro equities -24.0%	Gilts -1.2%	Euro equities 5.8%	Commodities -6.7%	Global bonds -2.6%
Euro equities -20.1%	US equities -29.6%	Commodities -2.1%	US equities 3.4%	Cash 4.9%	Global bonds -4.7%	Property -5.5%	UK equities -29.9%	Global bonds -7.6%	Cash 0.8%	Euro equities -14.7%	Commodities -5.4%

You should not use past performance as a suggestion of future performance. It should not be the main or sole reason for making an investment decision.

Source: Threadneedle, Datastream and iBoxx, in £ as at 31 December 2012. UK equities is the FTSE All Share Index, European equities is the FTSE World Europe ex UK Index, Commodities is the CRB Continuous Commodity Index (Price), UK corporate bonds is the iBoxx Sterling Non-Gilts Index (linked with UBS W All Stocks Investment Grade pre 30 June 2003), US equities is the S&P 500 Composite Index, Gilts is the FTA All Stocks Index, Property is the IPD Monthly Index (total return), Global bonds is JPM Global Index. Cash is 3M £ Libor.

What’s your deadline to the breadline?

New research from Legal & General has revealed how quickly your money might run out if your household’s main breadwinner died, or became unable to work due to long-term sickness or a critical illness.

The insurer found that, **on average**, people in the UK have **just 18 days** before becoming totally **reliant on state benefits**, friends or family – a figure worse than its 2012 findings[1].

Research results for the UK suggest that those in the North East, Yorkshire and Humber regions are most at risk, being an average of just seven days from the breadline, while those in the East of England and Wales are also among the most vulnerable (15 days). Even those in the best-prepared region – the West Midlands – are, on average, only 40 days from the breadline.

State benefits: a shrinking safety net

Austerity measures in the UK have meant some of the biggest cuts to state spending since World War II. As a result, the traditional safety net of state benefits is reducing.

This year the government also capped increases in working-age state benefits to just 1% for the next three years (compared to the traditional increase in line with inflation), in order to help reduce the welfare bill.

Meanwhile, the cost to maintain an acceptable living standard has risen by a quarter or more for various households, while earnings have hardly risen at all, according to The Joseph Rowntree Foundation. Its research suggests that a single person in the UK needs to earn at least £16,850 a year before tax, to afford a minimum acceptable standard of living. For two parents with two children, they would need to earn at least £19,400 each to support their family.

Disposable income and savings

Families have seen their disposable income fall by £21 per month in the past year and a shocking 37% of households admit to having no savings at all.

Unforeseen events, ranging from illness to redundancy, often lead to a sudden loss of income. Legal & General’s research suggests that in such circumstances, over a third of households would not have enough savings to maintain their standard of living. These families would be left dependent solely on the state, unless they had some other source of financial protection.

How can you protect yourself?

If you were left without an income, you may be surprised how quickly your savings could be swallowed up by things like rent or mortgage payments, bills and other financial commitments.

A protection policy can help ensure your financial commitments are taken care of if you, or your household’s main breadwinner, suffered a sudden loss of income. Even if you currently have a life or protection policy in place, it’s worth reviewing regularly to ensure it still meets your needs.

[1] *Legal & General’s Deadline to the Breadline Report 2013*

If you'd like to review your protection needs, please get in touch.

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Introducing the Barclays Homeowner app

If you're looking to buy a new house, the free Barclays Homeowner app will help you navigate the home-buying process with ease.

What does it do?

This free handy app offers quick access to a range of valuable features that will help you find your ideal home on the go. You can use it to access hundreds of thousands of properties for sale via Zoopla, personalise and organise your searches, make notes and take photos and videos of properties you like. You can also use it to work out:

- how much you may be able to borrow
- what the monthly payments are likely to be for the property you choose
- the cost of moving (including, for example, stamp duty)

Download the app today

The app also has the facility for you to store our contact details. That way you will be able to quickly and easily get hold of us when you're out and about house-hunting.

Once you have found the right property, you can then work with us to get your mortgage arranged as quickly as possible.

The app is available to download from the Apple App Store and Google Play.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

For this service a fee of £395 is payable on application.

For help choosing a mortgage for a new home, or remortgaging an existing property, please get in touch.

Is your home 'winter ready'?

With the cold, wet winter weather beginning to close in, now is the time to ensure your home is prepared for winter.

'Winter proofing' your home needn't be a mammoth task - but it's certainly worth thinking about jobs like lagging pipes, roof repairs and clearing guttering before the bad weather really sets in.

You should also check your home insurance policy to ensure you are adequately protected, and take the time to fully understand your policy's cover levels and excesses. Taking the time to do this can really pay off; if you are unlucky enough to suffer flooding or winter damage to your home, the last thing you'll want is a nasty surprise when you come to make a claim.

If you'd like help reviewing your existing Home Insurance policy, please get in touch.

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